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‘Prosperity and decency need to go hand in hand’

Being humane should not become a competitive disadvantage. SPD co-leader Norbert Walter-Borjans on global justice

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In the United States, Joe Biden has been elected President. In which specific areas can we now count on an increased cooperation with the United States again?

I’m very much hoping for a u-turn in climate policy. There’s a very high expectation that Biden will quickly return to the Paris Agreement. The second area is disarmament: Trump’s show of strength has got to stop. On economic issues, it is time to move away from a siege mentality and protectionism. However, we shouldn’t have free trade at any price. The question must be to what extent do ethical issues also play a role in economic cooperation?

But this is where Biden’s first speeches, as well as his earlier remarks, make me cautiously optimistic. He is also aware that a different style has to return in our dealings with each another. However, I would warn against naive euphoria. Joe Biden has been elected President of the United States and not President of the World. In view of the polarisation in US society that Trump has further deepened, Biden has to serve very different expectations in his own country. The question is how he will seek an understanding with his partners on an equal footing.

In that regard, surely a US President Biden will primarily represent American interests in the future. Doesn’t Europe need to stand on its own two feet again, regardless of the change in office in the US?

That should have happened much earlier. I think that we have relied far too ingenuously on the US always remaining a haven of stability and reliability and at the same time always keeping our interests in

mind. There was reason to doubt this even before Trump.

Take, for example, the issue of digitalisation and data protection. With its economic power, Europe would have done well to stand on its own two feet. We missed our chance to do so. The shock after Trump's election only brought to light what we had neglected up to that point. We have stood by and watched a development where, in an important field like digitalisation, we can only choose between dependence on China or the US That is completely inappropriate for a continent with the economic strength and size of Europe. We have to become more digitally independent.

Will multilateral cooperation become more important again with Biden's presidency? In recent years it has often looked like "might makes right" – in the case of Turkey or Russia, for example.

Yes, definitely. Trump has not only strained bilateral relations with the US, he also encouraged second- and third-tier autocrats to emulate him. What we are experiencing in other countries has been encouraged by Trump's acting like a bull in a china shop. That's why, now that he has been voted out, I hope that some second-division musclemen will become a little more cooperative, now that they have to do without Trump's backing.

The corona pandemic is undoing much of the progress made in the countries of the Global South, and some of them are facing the threat of poverty and hunger crises. How can industrialised nations make a concrete contribution to making the world economy more resilient?

It starts with the fact that we need to bring much more fairness into world trade. Our dealings with the Global South in particular show that simply "letting market forces go as they will" without a regulatory framework leads to the weaker countries being left out in the cold.

As an example, let's take the inhumane working conditions at the end of some of the supply chains that ensure our prosperity. When we do sort things out, it is primarily between the industrialised countries within the framework of the OECD, for example in the difficult attempt to close tax loopholes. But many tax havens are located outside the OECD.

Or let's take the conditions dictated by the North for seeds, food production and the use of surpluses in our country. The disregard for the states of the Global South leads to a lack of prospects, to conflicts and migration. We have to realise how much we benefit from the work of the people in these countries. If we ensure fair prices and sustainable production conditions and greater cooperation in international development, then that doesn't just mean giving up

something, but also serves to secure peace and prosperity in our country.

You mentioned the Supply Chain Act – currently a sensitive issue in political Berlin. What exactly is it about and why is the topic so important for Social Democrats?

I think it is perfectly legitimate for politicians to make sure that the living conditions created for the people in their country are as good and reliable as possible. However, our standard of living must not be based on the fact that people in other regions are living and working under the most degrading conditions, that the environment is destroyed, that civilisation is set back. I want to ensure prosperity by treating everyone fairly. Prosperity and decency need to go hand in hand.

What does that mean concretely? Companies that manufacture abroad and do business in Germany must pay special attention to the conditions under which raw materials are extracted and goods are manufactured. With the Supply Chain Act, our intention is to ensure that companies can be held liable here in Germany if they do business with exploitative suppliers.

But it's not just about importing goods. Companies that produce goods in Germany cannot be allowed to reverse the supply chain and have workers "delivered" from abroad, whom they then exploit here. Let's take a look at the meat industry: the meat is processed in Germany, but the employees are imported. Many of them are working here under the most disgraceful conditions. That's unacceptable. We decided to tackle this issue. With the Occupational Safety and Health Control Act, we Social Democrats in the coalition have achieved enormous progress.

Now, however, there is criticism that a supply chain law is slowing down the economy at a moment when it is already badly shaken by the Covid-19 pandemic. Can we afford to do this in the current situation?

If humaneness and decency turn into a competitive disadvantage, we would have surrendered to wild market forces. Markets need a framework that keeps prosperity and decency aligned. I believe this crisis will also serve as an eye-opener. It is not only Germany where the crisis is endangering livelihoods – it is doing so at least as much in other parts of Europe and in other parts of the world.

Of course, we have to ensure that the economy in Germany gets back on track as quickly as possible. But we also have to take the opportunity to do two things at once: we need to set a course whereby, in the fight against Covid-19, we do not lose sight of other

crises. The pandemic is one thing. The crisis of poverty-driven migration, however, is directly related to the injustice of trade relations. The same applies to the global destruction of the climate. It would be fatal not to think now about how we can set a stable and responsible course for the future.

In the view of the Social Democratic Party, what would a supply chain law mean for employees and consumers?

The past has shown that there are importers who unfortunately remain oblivious to any appeals. At the same time, experience in other countries shows that even the credible threat of liability does have an effect. In our country too, we need to have a strong law. In a social market economy, we should expect that social and ethical issues are not sacrificed for pure profit maximisation. There are companies that set high standards in dealing with people and nature. Unfortunately, not all, by far. These companies must not be rewarded for their irresponsibility. That is why we need a liability regime. We want those affected, or local organisations that represent their interests, to have legal standing.

I find it shameful that the political parties whose names start with a "C" consider human decency to be anti-competitive and want to prevent effective regulation. Instead of companies with more than 500 employees, as we have demanded, the CDU and CSU want to hold accountable only those companies with over 5000 employees. And instead of targeting the suppliers behind the scenes, these parties want the importers' liability to be limited to the direct partner. We can already foresee the result: there will be small, decent middlemen, and it won't matter where they get their goods from. But we don't want an alibi law. We want an end to profit maximisation on the backs of people and nature.

You referred to the fact that the Supply Chain Act is causing disputes within the coalition, and no agreement is in sight. What's next now?

When a ship in rough seas threatens to capsize, you need people on the bridge who are able to keep the boat afloat. That is what we are currently experiencing. In this immediate crisis phase of the pandemic, the interests of the CDU/CSU and the SPD are strongly in line with each other. As a result, the federal government is also getting a good rating from the public. Of course, I would prefer if it became clearer as to how much the SPD ministers contributed to this. Credit for this seems to rub off only on the captain, the Chancellor. But the fact is, this collaboration is working.

As soon as the weather has calmed down a bit, the question arises:

where is the boat going? If you then realise you have a partner on board who always wants to go in circles or backwards, you've got a problem. Corona has pushed this problem into the background a bit, but it will re-emerge. We must set a course towards responsible economic behaviour with consideration for those with whom we trade. That is the difference between the SPD and a CDU and CSU that are mainly oriented towards economic profitability. We say that a basic ethical attitude must be reflected in world trade. A country cannot do everything on its own. But a country can lead the way.

You spoke of poverty-driven migration. What do the Supply Chain Act and the fight against international tax evasion have to do with Africa and migration?

On the one hand, big profits are made in the rich industrialised countries thanks to the labour and production conditions that prevail in the countries of the Global South. Take, for example, the extraction of rare earths in the Congo or the situation of seamstresses in Bangladesh. We know under what miserable conditions those who produce these raw materials or sew these garments live. So how can we be surprised that conflicts break out in these countries and that people set out for the promised North? We can't solve this problem with border patrols and refusing to provide sea rescue operations; we will solve it only with massive development cooperation and fair trade.

At the same time, however, these countries in particular are often misused as tax havens.

Absolutely true. Or a corrupt elite moves its money to the OECD countries. That's why we will never contribute to solving global financial crime if we limit international agreements only to the industrialised countries. It's good that the UN has addressed the phenomenon of global corruption and financial crime. We shouldn't fool ourselves with all our goodwill towards the countries of the Global South: some of them have governments, rulers, elites who also happen to have a talent for fleecing their countries. We're generally aware of this. What many people overlook, however, is that this wouldn't be possible without helping hands in the industrialised countries.

On the Tax Justice Network's Financial Secrecy Index, which measures the global lack of transparency and tax avoidance opportunities in various countries, Germany is relatively high on the list – in 14th place. What needs to be done in order to make progress on this issue in this country?

What I have just said about supply chains applies equally to tax policy. There are very strong forces in Germany that are doing everything they can to maintain the lack of transparency. Publicly accessible country-by-country reporting would provide information on how sales, profits and tax payments of global companies are distributed around the world. Then we would quickly see that the profits are often booked in places where no taxes are due. If you bring up this issue to business people, they say: "If we were to present this quite openly, then tax claims would be made that have so far also been paid in Germany." This is true: but being fairer doesn't always mean that we get more – it can also mean that we have to give something away.

I would think it would be more just if we were to arrive at a fairer distribution of tax revenues, rather than having it depend on our goodwill as to how much charity other countries receive in the form of development aid. In reality, we're transferring only a smaller portion of what we would have had to give if taxes had been distributed fairly. Germany is anything but a model to emulate in this regard.

Earlier you said that we as Europeans are badly positioned, for example in the area of digitalisation. At least the EU is trying to catch up and would like to offer an alternative to the US and China. So now let's take the issues of fair trade, fair production conditions, and the fight against tax evasion – how well is Europe positioned to actually be perceived globally as the better alternative?

In Germany we need to talk more about how we can overcome national egoisms on our own continent. At the moment we are giving up a lot of our capacity to act because we cannot reach an solution amongst ourselves. In Europe, we need unanimity for nearly all substantive decisions. Of course, in the case of majority decisions, Germany could also be outvoted. But if we take Europe seriously, then we have to develop a European consensus. If this does not succeed, then multinational corporations have much greater opportunities to help each other out, and in the worst case to also use economic advantages to game the system. We are seeing how Ireland did not exactly think in a European manner in the case of its tax privileges vis-à-vis Apple.

Here's another example: the way our agricultural surplus production is exported from Europe to African countries and thereby destroys social and economic structures. We have to change something in the internal structure of Europe if we really want to have a policy that takes ethical ideas and fairness seriously.

Making this kind of correction doesn't just mean doing without. This

also provides us with security. If the people in these countries take to the road, it will end in social unrest and conflict. This cannot be in the interest of the rich states of the global North either.

How should the current crisis be managed financially? Is taxing the rich a viable option?

In this case too, the question arises: What do you do now and what do you do later? Right now, the state first has to get money into its hands to bring society and the economy through the worst part of the crisis. There are valid reasons to claim the debt brake exemption and to take out loans to get the economy going again. But at some point we have to talk about how to deal with all the loans that have been taken out. Sure, some of it will be absorbed by economic growth. The same issue occurred after the financial crisis. But considering the current scale, we also need to talk about how the burden will be shared in the future.

In this crisis there are extreme winners and there are extreme losers. If we just let that slide, this crisis will divide society even more. Someone who is on short-time work, who doesn't know whether his employer will survive, whether he will keep his job, will have to behave differently than someone who has half a million in his account and thinks about what real estate and which stocks he should invest in. So you have to say to some people: "You need to be paying part of these profits into the common pot." This applies to the digital economy, for example.

I consider this a given. How to do this in practice in the end, whether through a higher taxation of income or a significantly higher taxation of assets or inheritances, is something we will have to decide after the crisis.

This interview was conducted byClaudia Detsch and Nikolaos Gavalakis.



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