

2020 GLOBAL ARCHITECTURE CONFERENCE

Dunsmuir Lodge, Victoria, Canada; 29-31 August 2001



Preface

The Centre for Global Studies at the University of Victoria has as its mission to advance understanding and action on major global issues by civil society, the private sector, governments and international institutions.

On August 29th-31st, a group of ‘Visionaries,’ discussants, and participants gathered in Victoria, BC to take part in a 2020 visioning exercise issued by Canadian Finance Minister, Paul Martin. The discussions were based on papers that twelve ‘Visionaries’ (half from the North, and half from the South) were commissioned to prepare. Each vision paper contained ideas of what the global architecture will look like in the year 2020.

Further, in an opening video presentation, Mr. Martin challenged conference participants to consider the following three key questions:

1. *What* should we govern internationally?
2. *How* should we govern ourselves at the international level?
3. What is the best path for poverty reduction and development?

The report that follows outlines the proceedings of the conference. It addresses areas of contention as well as major conclusions.

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What were the key shortcomings in the present system?

(a) inequity

The present system of global governance was widely felt to be inequitable, and to place poorer countries at a disadvantage. Among the reasons for this were

- i. globalisation had rewarded those who already had assets—not just financial but also other forms of capital such as education;
- ii. international markets themselves did not always work properly. They tended to encourage monopolies and entrench first-mover advantages;
- iii. power mattered in international relations. It was States who made the rules and shaped the implementation. So large, powerful States were at an advantage. The rules on many issues—such as trade, migration, tax, intellectual property—were not seen as fair to poorer countries.

As a result, there was a need to establish a global social contract, in which the weaker, poorer, sm

- iv. the system was *vulnerable to capture by special interest groups*. There was not the same mechanism as existed within national governments for resolving differences or balancing interests. In international negotiations, trade issues were discussed almost exclusively by trade ministers, finance issues by finance ministers and so on, with little communication between different groups;
- v. there was *no clear view on how far coherence* should be a goal. In some areas, there was a disconnected and fragmented set of treaties and institutions. But it was questionable whether searching for a single coherent framework was appropriate, rather than welcoming a plurality of different approaches;
- vi. there were *significant problems with systems for enforcement and compliance*. Often, treaties were signed or agreements reached without adequate processes to make sure they were implemented.

Other concerns that were raised included the way the debate and agenda was dominated by the US. The new US administration had taken disturbing moves towards unilateralism, and it remained to be seen where it would become more favourably inclined to collective solutions over time. The problems of international institutions and the international economy had domestic counterparts too, with concerns about the power of corporate interests and speculative bubbles.

Key conclusions

The key conclusions emerging from the papers and initial presentations were

- i. change was needed: there was a crisis of legitimacy in the current system of global governance. The “dead hand” of the present structures inhibited change;
- ii. the solution did not lie in ever more powerful central institutions, which tended to be remote and lack democratic legitimacy. The focus should move from single institutions to networks. There were advantages in competitive pluralism: it was not necessarily true that duplication was wasteful;
- iii. decentralisation was vital: as much attention should be paid to local architecture as to global. It was unlikely that one model could fit all circumstances. Regional implementation was important to develop ownership of programmes;
- iv. in the absence of democratic accountability, there was a need for more transparency and accountability in the system of global governance.

the issue of expanding the voice of developing countries in the IFIs was vital. This was a case of “putting the mouth where the money was.” The UN and many of its agencies produced innumerable resolutions and proposals that had no practical impact at all;

the G7/G8 needed to open up their procedures. They had already moved from a focus on economic issues towards a wider discussion of issues of global concern. But they needed now to canvas a wider spread of views in their preparatory process, and to change the perception that external input was unwelcome. The absence of plenary meetings allowed for a more informal exchange of views; but that lost the opportunities for joint discussions between finance and foreign ministers on topics such as poverty alleviation;

the relative roles of the G7 and G20 groups of finance ministers needed to be examined. The G20 was seen as having wider legitimacy because of its larger membership. Some proposals had greater chance of winning international acceptance if they originated from the G20 rather than the G7—those on international debt were one example.

The need to extend and open up the debate

civil society had an important role to play, in domestic as well as in international discussions. It could help to create the political will within individual nation states. Some questioned the legitimacy and mandate of civil society actors. But many governme

there was a danger in assuming that what worked at the domestic level would automatically work at the international level. That had led to the US promoting market-based solutions, while some European governments had promoted state-based solutions;

the EU initiative on “everything but arms” was welcome. But so far it applied only to the poorest countries. And it remained to be seen how far it would deal with the problems of agricultural protectionism.

Centralisation versus plurality

the case for competitive pluralism was compelling. But there was some danger this could play into the hands of those who wanted to weaken the effectiveness of global action by a policy of divide and rule.

we needed some global institutions to deal with the power of global corporations. Too much focus on the plurality could strengthen the hand of large corporations, who had already had a big influence on policy in many trade areas;

there was often muddled thinking on this issue, with the same people proposing both strategies at once. Stronger international institutions were sometimes advanced as a counter to the power of the US, at the same time as more pluralism and decentralisation were advanced as a counter to the power of the IMF;

for poorer countries, strong centrally-determined rules could be as much of an advantage as a disadvantage.

What issues needed to be addressed with at a global level?

some issues clearly needed to be resolved at the international level, such as allocation of spectrum and maritime regulations. For others, it was more arguable. There was a strong case that regulations governing GM foods should be set by national authorities. But there were concerns about such regulations being drawn up in a protectionist way;

earlier work in this area had produced an extensive list of issues where governments believed some action was needed at the global level: health; education; poverty and inequality; economic stability; armed conflict; technical divides; environment; organised crime; human rights. These were all interlinked, and it was hard to say which was the most important;

there was, however, a danger in saying that everything was related to everything else. That could be a recipe for paralysis;

what was crucial was to set up processes that could resolve issues. Several domestic governments had had success with “cross-cutting” teams and other innovative solutions. These methods should be considered for the international institutions too;

subsidiarity was an important concept. The goal should be to determine in each area what had to be done at the international level, and what could and should be done at regional, national or local levels;

there was, however, often a seamless web between global and national issues. In many cases, what was important was national *implementation* of global agreements;

an analysis based on global public goods and on negative externalities had attractions. But the issues were complex and there was a danger of getting bogged down by that framework at the expense of significant but more pragmatic reforms. Much international effort focussed on economic issues, where the arguments about externalities were not clear-cut.

Action in specific areas

The conference addressed the need for international action and the scope for reforms in the following specific areas:

- (a) economic and financial issues;
- (b) poverty and inequality;
- (c) health;
- (d) armed conflict and human rights;
- (e) environment;
- (f) digital divide;

(a) Economic and financial issues

A number of arguments and proposals were put forward for reforms to the IMF and World Bank

it was important to broaden participation in the debate, and to bring in independent analysis. Developing countries needed to increase their capacity to comment effectively on IMF and World Bank issues. An new unit should be set up outside the IMF, widely networked and them helping them to develop an effective informed voice;

there were potential conflicts of interest in the IMF and World Bank being responsible for so many links in the chain—gathering and publishing data, providing finance and policy advice, designing programmes and (in the case of the IMF) economic surveillance. Many national governments had moved to set up independent statistical agencies, and there was a good case for doing the same internationally. There was also a case for widening the involvement in economic surveillance, by including peer countries or other international institutions;

increased transparency was needed to make up for the shortfalls in accountability. There should be right-to-know procedures, based on the principle of full and complete disclosure, with only very limited exceptions (eg where there might be severe adverse economic effects). The IMF and World Bank should publish Board minutes, Letters of Intent, country assistance strategies and assessments. This would enable more informed assessment of the performance of the institutions, which was particularly important where borrowing countries were in weak negotiating positions;

the IMF and World Bank should reduce the extent of conditionality, with the main focus being on ability to repay. There was also a case for greater clarity in the respective roles of the two institutions, with the IMF's prime role being to provide support at times of economic or financial crisis.

There were a number of other areas of the international economic and financial system where reform was seen to be needed.

International insolvency

One was in dealing with countries that were unable to repay their obligations. The present system gave a key role to the IMF, which was both a creditor and an arbiter, and saw debt contracts taking primacy over social contracts. In private sector capital markets, procedures for dealing with insolvencies and bankruptcies were an essential underpinning. There was considerable sensitivity over use of terms like “bankruptcy” where sovereign countries were involved, but there needed to be improved and independent regimes for debt standstills, with a more balanced perspective of the interests of borrowers and creditors. Special procedures would be needed where systemic issues arose, or where the macro-economic cost of delay might be large.

The institutional arrangements needed further work. One eventual home for dealing with debt standstills could be an international court of justice. Care would be needed in

dealing fairly with different groups of creditors—without the role of the IMF, private creditors stood to lose out.

Competition policy

Competition policy increasingly raised international issues. As corporations became more multi-national in their operations, so issues of monopoly, cartels and dominant market share applied across jurisdictions. And the actions of competition authorities in one country created impacts on other countries. It was unlikely that governments would want to surrender sovereignty in these areas to an international body, notwithstanding the precedent of the European Union arrangements. And there were sensitivities among developing countries to extensions of the scope of “competition policy” in a way that might be protectionist.

There was, however, a need for better co-operation between competition authorities, both regionally and internationally, and perhaps for an arbitration mechanism for cases where decisions in different jurisdictions clashed.

Tax and revenues

There were many common interests between national tax authorities, and there was a case for setting up an international tax body to collect and promulgate information and statistics. It could also take forward international work on tax havens and aspects of money laundering. There were concerns in both industrial and developing countries about sovereignty in tax issues, and the remit of such a body would need to be carefully drafted.

There were separately a variety of proposals for raising finance for development or environmental programmes. These included taxes on international travel or on aviation fuel, and ‘Tobin’ taxes on foreign exchange transactions. They also included revenues from sales of global public goods such as spectrum rights, satellite positioning rights, or fishing licences. Another possibility was an SDR allocation. There was as yet no consensus on this approach—global taxation could be argued to be undemocratic and to introduce new problems of legitimacy.

Trade

Many of the issues on trade were covered in discussions of other specific topics such as poverty, environment and health. But it was important not to lose sight of the overall picture, nor to believe that tweaking in individual areas would be sufficient to meet the concerns that were being increasingly expressed. What was needed was space to review and repair the existing trade regime without the pressure of “rounds.” In doing this, however, it would be wrong to ignore the benefits that trade had brought, both to industrial and to developing countries.

The processes of the WTO needed to be opened up. There should be a role for amicus briefs in dispute resolution, and hearings should be open. The arguments for greater transparency applied equally to the WTO.

(b) Poverty

HIPIC initiative, but more needed to be done to speed up and simplify the process, and to make debt relief deeper and broader. Lenders should take greater responsibility for bad loans, particularly where it was reasonable for them to have foreseen problems that might arise.

Trade

The current rules for international trade were widely seen as unfair to developing countries, and as harming their development efforts. This was an important theme in the campaigns against globalisation. Developing countries had benefited from some of the outcomes of the Uruguay Round, but there were a range of concerns:

- anti-dumping rules were being used as a protectionist device against developing country imports;
- agreements on market access and on reductions in subsidies (especially in agriculture) contained too many loopholes that were being exploited to the disadvantage of developing countries;
- agreements such as those on TRIPS and TRIMS prevented developing countries pursuing policies that had worked for other countries in the past—they could be characterised as pulling up the successful countries pulling up the ladder after they had climbed it;
- transition periods before new rules and agreements applied to developing countries were often too short;
- as in other areas, developing countries lacked the capacity to argue their case and protect their interests effectively in international trade negotiations.

Solving problems and unfairnesses within the existing trade regime was more important than embarking on a comprehensive new round with new issues and a wide agenda.

Institutional structure

On one view, there were too many different institutions who saw poverty alleviation as part of their mandate. On the other hand, there were advantages in a plurality of views, and in competition to find the most effective solutions. There was no reason to believe there was a single answer, and it was important to respect different points of views. One problem, though, was that the funding of institutions did not adequately reward success.

There was concern about the central role taken by the World Bank in financing programmes aimed at alleviating poverty. It was arguable that its cost structure was too great to enable it to be effective in providing such assistance. And there were disadvantages in the way its role combined the giving of advice and the provision of finance. Greater decentralisation was desirable, in line with the principle of subsidiarity.

Micro-credit schemes had proved effective in very poor countries and regions. They could not be more than a small part of the overall strategy for poverty alleviation, but should be encouraged. An independent agency to provide advice and promote best practice would be a useful initiative.

The wider discussions of capacity building and of representation were very relevant to the debate about poverty alleviation. The voice of poor countries was often drowned out in policy discussions. Innovative solutions were possible. In China, each coastal province was required to help a number of poorer inland provinces with training and assistance in policy formation and governance.

(c) Health

A clear case existed in terms of negative externalities for global action to counter infectious diseases. But the case for international support for health programmes went much wider than that:

- i. the social, political and security implications of health problems in developing countries were a source of concern for industrial countries—more so than the cross-border transmission of infectious diseases. Poor health-care contributed significantly to poverty in many countries;
- ii. without international action, research would focus on national priorities and other areas would be underfunded. There was a global public good in funding research into international health issues, including those primarily applying to developing countries, such as tropical diseases.

A particular concern was children's health in many developing countries. Programmes aimed at universal vaccination, eliminating malnutrition, and providing access to clean water should be a priority.

The present institutional arrangements for international action on health had serious flaws. The funding arrangements were poorly organised:

- i. the World Health Organisation accounted for only 2% of world health assistance, and three-quarters of that was in extra-budgetary funds controlled by donor countries. The bulk of international funding—amounting to some \$2-3 billion a year—came from the World Bank, even though health was outside its core mandate and competencies. UNICEF also played a small but effective role;
- ii. the UN Secretary General had proposed a \$10 billion Global Health Fund, but total pledges so far amounted to only \$1 billion. This seemed the most promising channel for distributing health assistance, given doubts about the capacity of the WHO to take on a major increase in its activities.

There were also significant problems in other areas:

- i. the TRIPS agreement in the WTO was implemented unfairly in regard to developing countries use of patented drugs. The pharmaceutical companies lobbied hard against schemes for compulsory licensing or import of patented drugs. Even if the WTO raised no objections to such schemes, the US

- government was willing in some cases to threaten to withdraw special preferences. Developing countries needed help to put their case more forcefully;
- ii. one specific area of concern was the way the TRIPS provisions on medical emergencies were interpreted too narrowly. If necessary, the agreement should be amended to make clear that the spread of infectious diseases *could* constitute a medical emergency;
 - iii. the IMF and World Bank's insistence on user fees as a condition of many programmes was damaging to developing countries.

Research in genetics and biotechnology had far-reaching implications for future health and nutrition. There were wide differences of views both between countries and within countries on the scientific, safety and ethical issues created by this research, and on the scale of potential benefits or costs. There were also concerns that developing countries could lose out if research concentrated primarily on issues of interest to industrial countries. There would be advantages in setting up an IPCC-type mechanism to bring together a wide spectrum of scientific and medical opinion and seek a consensus that would inform debate among policy-makers.

(d) Armed conflict and human rights

The security outlook had changed for the worse recently. There was a return to concerns about the proliferation of weapons of mass destruction. Many regional conflicts had had international ramifications. And there were major challenges from organised crime, from illegal trafficking in arms and narcotics, and from terrorism.

There was strong justification for international action seeking to prevent or end armed conflicts:

- i. many conflicts had the potential to impact countries other than those initially involved. There was the risk of the conflict itself spilling over into neighbouring countries. And there were indirect impacts, for example through refugees; through the use of criminality to finance conflict; and through environmental degradation;
- ii. conflicts were a major source of poverty. And dealing with poverty was impossible if security, order and a capacity to govern were lacking;

There were important linkages to action in other areas. Inequality and lack of employment opportunities created the conditions for conflict. And climate change could generate economic hardship and migration, and hence conflict in neighbouring areas.

Preventing conflicts before they started was clearly the most desirable goal. As well as action to reduce poverty and inequalities, there was also a role for capacity building, so that countries had greater abilities to manage these issues themselves. This required education, training and research.

Action to limit the accumulation and spread of arms would certainly be desirable. Various proposals had been put forward, including putting restrictions on financial assistance to countries whose defence spending was excessive; limiting tax and export incentives for arms sales; and taking direct action to ban certain types of weapons.

Such proposals were often controversial in both industrial and developing countries. But the outcome on landmines had shown what was possible. That had drawn a widely-based coalition together, made up of like-minded governments, international organisations such as the Red Cross, and representatives of civil society. This had proved more effective than operating through the UN, where there was a tendency for agreement to be reached by seeking the lowest common denominator. In the case of landmines, the wide scope of international agreement had put strong pressure on those countries initially unwilling to participate.

Where prevention failed, the issue became one of peace-making and peace-keeping. It was inevitable that the approaches would often be ad hoc, involving action at national, regional and international levels. There were concerns about the development of unilateral rather than mu

- iv. there was a deficiency of expertise, with too much duplication and not enough scientific expertise to go round;
- v. there was negotiation fatigue, and a lack of capacity in many countries to address the issues adequately.

The functions and actions that were needed at a global level included:

- i. improved data collection, so that the performance of different countries could be properly assessed;
- ii. better co-ordination in scientific and technical assessment. The IPCC was doing a good job, but there were still conflicts and duplication between agencies and programmes;
- iii. mechanisms for rule-making, for finance, and for promoting compliance and settling disputes;
- iv. improved ways of involving civil society;
- v. capacity building measures to help countries address the issues; this should include increased technology transfer and an accessible database of best practice.

Many of these points could be addressed within the existing structures. The problem was a lack of political will to tackle them. At the global level, the IPCC had largely succeeded in making the scientific case on climate change. What was lacking was the necessary global consensus on the proposed remedies. Countries disagreed on the effectiveness and equity of the Kyoto mechanisms, particularly in relation to developing countries.

Civil society had an important role to play in building up the political case for action. Greater transparency and disclosure rules were crucial to this, applying both to corporations and to governments. Many environmental issues had to be dealt with primarily by local actions. Capacity building was also necessary, for example to build up knowledge about energy efficiency and to help make economies less energy-intensive.

There were also a variety of sticks and carrots that might be deployed internationally. These included SDR allocations to fund action on global public goods, and trade restrictions where actions were inadequate. But there was as yet little international consensus on this, and suspicion in developing countries about the role of trade measures.

There were, however, a range of trade issues in existing agreements that needed to be addressed, dealing with areas such as biodiversity, biosafety and phytosanitary issues. Getting the necessary changes agreed would almost certainly require grassroots action: there was little sign that governments yet recognised the groundswell for change in these areas.

The independent collection of data and indicators on environmental sustainability was a vital component in building up the case for action. This should probably be separated from UNEP, on the grounds that the same body should not be responsible both for operational issues and for the collection of the data on which decisions were based.

(f) Digital divide

The G8 dot force had provided an interesting test-bed for new ideas about governance, which could have wider application. The dot force had been composed of representatives from G8 countries, from developing countries, and from international organisations; in addition, each G7 country had nominated a representative from a private company and from an NGO. The group had met its remit of producing a report and recommendations for action in time for the next Summit. The membership was inclusive, and had worked well (though only two countries had nominated representatives of civil society for the NGO slot).

The G8 process had revealed both advantages and disadvantages. The formula of convenors bringing together a network of different interests had worked well. And since the G8 policy was not to create permanent structures, those on the dot force had known they were there for a time-limited period and that had focussed the debate. On the other hand, the need for consensus had tended to produce proposals based on the lowest common denominator—and the process had been disrupted by the change in US Administration during the discussions.

On the substance, the recommendations had highlighted the nature of the digital divide as a layer on other divides, and the linkage to other development issues. The dot force had not recommended any new institutions, and had cautioned against centralising responsibility in a single agency.

Points put forward in the discussion were:

- regulatory mechanisms and access policies were crucial in addressing the digital divide, both for private sector firms, and for state-owned telecommunications companies—which often had a narrow interest in protecting their revenue base;
- building infrastructure and creating content were both important in a balanced policy for tackling these issues;
- greater contact between regulatory bodies in developing countries could in sharing knowledge and experience of different approaches;
- there were some important private sector initiatives in this area, for example involving building libraries of knowledge and providing universal access by digital satellite radio networks.

Chairman's concluding remarks

The chairman thanked all participants for their contributions. It had been a productive and useful meeting, and he was struck by the am