

Emerging Global Challenges:

Managing Interdependence in a Complex World

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**Rockefeller Study & Conference Center
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Introduction

Gordon Smith opened the meeting by thanking those who had supported the work of the Centre for Global Studies in organising both this conference and the preceding 2020 Global Architecture conference in Victoria in August 2001. These included the Ford Foundation, Ermanno Magnani, the Canadian International Development Agency, the Rockefeller Foundation and the Charles Stewart Mott Foundation.

The agenda for this meeting covered a number of issues:

- the global challenges facing the world under different scenarios
- how best to manage interdependence, including in particular the role of the US as the dominant power and the increasing importance of civil society
- the environmental issues the world faced, and why the international negotiating process seemed to have stalled
- how the G8 was responding to these issues in the run-up to the Summit in Kananaskas
- the critical case of Africa, and in particular the opportunities opened up by NEPAD together with the response from the G8
- what future work on NEPAD would contribute most effectively to the objectives set out by African leaders and by the G8?

The focus of this meeting was therefore very much in line with the “Theme Goals” of the Rockefeller Foundation, in particular on *global inclusion*:

“To help broaden the benefits and reduce the negative impacts of globalization on vulnerable communities, families and individuals around the world.”

The goals of the *Africa Regional Programme* were also very relevant:

“To contribute to the revitalisation of the African continent by building the required human and institutional capacity and providing critical information that will promote effective policies and programs to improve the lives and livelihoods of the poor.”

Similarly, the agenda for the meeting meshed closely with the interest of the Charles Stewart

utilities, about the uneven impact of globalisation and about the implications of new technologies such as gene therapies and cloning.

The key issue for at the start of the 21st century was who would be most powerful and influential in shaping

- the regulations behind liberalisation?
- the rules of globalization?
- the restraints on technology?

This led to two different scenarios:

- the first, *Business Class*, where the dominant role is played by a network of the globally connected elite;
- the second, *Prism*, where a wide range of networks rooted in culture and history form the most important influence.

Business Class

Under the *Business Class* scenario, highly interconnected global elites, with international loyalties, form the cutting edge in almost every area. The number with incomes of over \$50,000 expands from about 125 million in 2000 to over 300 million by 2020—with much of the growth coming in Asia. Cities become stronger and more powerful, and the world economy becomes increasingly integrated. High risks bring high rewards.

This carries downsides: growth is more volatile; there is increased contagion from illegal trafficking in drugs and people; and there are greater risks from terrorism and the spread of diseases. Citizens become more cynical about politics and governance, with national governments seen as ineffectual and with a range of local and global bodies seeking to push their agendas.

The implications of this scenario for Africa are for weak states, and for an increase in conflicts. There is a spread of “vampire governance.” Inequalities would increase, with some regions or groups successfully seizing entrepreneurial opportunities while others fall further behind—though under neither this scenario nor *Prism* does Africa achieve the 7% growth target put forward in NEPAD.

Prism

Under the *Prism* scenario, the pressures of modernisation continue, but people look to their roots and their heritage as the basis around which to organise their lives. There would be a development of multiple modernities, rather than a single pattern. New communities would emerge, based around networks of interests—though with the risk of intolerance and disputes over boundaries between different interests.

Politically, the “non-so-silent centre” plays a key role—as it has already done in the Philippines and in Argentina—with the potential for populist politicians to seize ground outside the mainstream consensus. On economic policy, there is greater recognition of the limits of the market, and the Washington Consensus is redefined. For example:

- exaggerated fiscal discipline is seen as unsound, especially where it does not take account of cyclical or sustainability issues;
- private monopolies are seen in some cases to be worse than State enterprises, especially where regulation is inadequate;
- there is less pressure towards full capital account liberalisation particularly in the face of

people. And there was a danger in a sequence that put economic growth ahead of the development of a social compact.

- We now had globalization of politics but without the norms and institutions to accompany it. We needed a new political process to accompany globalization. The role of non-State agencies was crucial. We were seeing a rash of informal arrangements between corporations, NGOs and others, and we needed to seek new structures and processes to reflect this.
- The current state of the world carried with it a number of paradoxes:
 - the world had rarely been more peaceful, with few conflicts between states. But we faced numerous deadly conflicts *within* states;
 - the US accounted for 40% of world military expenditure, and had global pre-eminence. But its main threat was from terrorism, where pure military power was insufficient;
 - in aggregate, the world was achieving increasing prosperity. But it was very inequitably distributed, both within countries and between countries;
 - more and more states now had democratic governments, but that often brought with it a paralysis in decision-taking;
 - the major religions espoused tolerance, but many conflicts had their origins in religious differences.
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areas, and could lead to an imperial phase in US foreign policy. “Warrior politics” (to use Kaplan’s phrase) could replace institution building.

The Commission on Globalization had been set up to work on building political frameworks to cope with cultural diversity. One of its key aspects was building global issue networks, aimed at providing leadership in the space created between weak institutions. It brought together Governments, the corporate sector and civil society, including many prominent individuals.

It was not a Commission in the classic sense of the term: it did not make recommendations to Governments. Instead, its dialogue *included* governments, and it aimed to take its own political steps towards implementation, without waiting for ineffectual institutions to catch up. One of its objectives was to be just far enough ahead of the pressure for change that it could bring together catalytic groups and time its interventions to have maximum impact.

Discussion

Much of the discussion on these two presentations focussed on how the US determined what was in its national interest. The main points made were:

- The US’s definition of national interest was often very different from those of other countries, and it frequently saw its national interest as the *only* interest.. To say that the US often went along with proposals that were in its interests was not multilateralism. It couldn’t pick and choose to be multilateral on some issues and unilateral on others. The only test was to judge the balance over a span of time. On that basis, the US’s record was arguably one of unilateralism rather than pragmatism. It was also arguable how far the role of the US in international institutions had , on balance, been positive in the 1990s.
- The discussion of US dominance was in itself dispiriting for developing countries. With so much focus on US interests, was there any hope that the problems of the poor would receive the attention they

- The US often needed the support of other countries to achieve its long-term interests in these areas. There was a danger that if other countries gave way to the US too readily, the US would simply become more demanding. It needed to be pushed to keep up to the mark, and to respect its core values.
- The US seemed recently to be taking a narrower and more short-term view of its interests. The tariffs on steel imports had reflected a desire to protect its workforce, at the expense of its longer-term interest in an open trading system. The likelihood was that the steel tariffs would be subject to reciprocity under WTO rules, but these costs had been judged worthwhile when set against the short-term domestic benefits. It was dangerous to argue that the rest of the world needed to accept US pragmatism on this in the interests of longer-term goals. Was that an approach that could apply to everyone? It was a recipe for trade wars if it became accepted that individual countries could suspend commitments if the domestic political case became too strong.
- Very often, the issue was how to persuade the US to place its long-term vision ahead of its short-term interests. That required pressure both from outside and from within, and could involve making linkages between issues that were on the table for negotiation and those that were off the table.
- “Self-interest” was often an emotive issue. It was not true that the US itself always knew what it wanted, or got what it wanted—witness the big shifts in US policy towards the Kyoto agreement. Democratic countries often found it difficult to identify their interests and to stick with them. That made the business of constructing international agreements very hard. The US perception of its interests was not necessarily narrow—as evidenced by its backing for UNICEF or for human rights initiatives. It was hard to explain intervention in Somalia in terms of any narrow US interests. And in the WTO, the US had suffered setbacks that it had accepted in the interests of maintaining an open trading system.
- Research had shown that it was much more effective to speak to people in the US in terms of *values* (such as justice) rather than in terms of national interest. Many individuals in the US believed there was something important in contributing to the common good, rather than just serving their own interests. The US public was not very supportive of a “realistic” foreign policy—and much of the work on the debt initiative had been based on

smarter rather than necessarily pushing *harder*. And getting subjects properly aired in Congress was an important part of securing acceptance: one of the problems that had faced the UN was the perception that legislation had been rushed through Congress without proper scrutiny.

- The European Union was based on limited surrender of national sovereignty so as to meet wider national interests. It relied on a system of rules and enforcement. As European countries became more and more used to that, so they were less understanding of the US's more casual attitude to international law and international commitments—though it needed to be recognised that attitudes towards Government were very different in the US and the EU.
- Linking issues and establishing bargains was one way to persuade the US to accept proposals that it might not see as in its narrow national interest. But the international community was not well organised to do this. And within civil society, the debate was often compartmentalised. There were many single-issue NGOs, with little ability to compromise or seek trade-offs against other issues. Cross-balancing between issues was sometimes more easily dealt with at the regional, rather than the global, level.
- It was informative to consider the parallels between the global situation and the situation in many third-world countries. Like many such countries, the world as a whole was very divided, with feudal politics and an inefficient bureaucracy. And the position of the US as hegemon, not feeling itself bound by international rules, had its parallel in third world countries: the elite in such countries could argue that they were not bound by rules that applied to others—for example that stopping at red lights was optional, since it was in the national interest that they got to their destination as fast as possible!
- It was dangerous to lower objectives and say that now was a time for consolidation and implementation. There was a need for leadership from the world hegemon. The US had shown this in the aftermath of the World War Two, when it had played a pivotal role in the Marshall Plan, the Bretton Woods negotiations and the establishment of the United Nations.
- On the other hand, it was arguable that the UN had been founded with the objective of preserving the status quo. And the Marshall Plan had not been formulated until several countries in Western Europe were close to collapse, and there were real fears of the spread of communism—so it had been clearly in the US's interests to act.
- The debate in the US suffered from the widespread ignorance about international issues, fostered by the US media which oversimplified and distorted the issues. The US public, though, exhibited a lot of common sense in making judgements on international issues, and did not necessarily follow what was argued in the media. More generally, the case for inter-dependence needed to be better promoted, not just in the US but also elsewhere. That was the way to secure acceptance of global constraints.

- It was dangerous for the US to believe it that it would be easy to achieve and maintain “full spectrum dominance”. The reality was that others would resent it, with some being sufficiently upset to be violent. September 11th had brought that into prominence—and made it imperative for the West to take action to deal with poverty and famine in the world. The US needed to think these issues through.
- It was important to develop new, more inclusive, processes for conducting international negotiations. The kind of choices the US was now making were satisfying some interests but to the exclusion of others. One challenge was how to get a better intersection between global elites. On the one hand, democratic systems seemed to be inherently inefficient. On the other hand, self-appointed collections of experts and thinkers were inherently undemocratic. New, more inclusive, approaches to international negotiations were needed.
- An important first step would be much greater transparency. All too often, the details of negotiations were cloaked in secrecy on grounds such as protecting negotiating positions or preserving commercial confidentiality. Opening up the process would contribute to greater understanding and wider acceptability of the outcomes.

Focusing on the Environment

David Victor outlined the arguments in his paper “*The Diplomat’s Malaise*”, prepared for the conference.

The preparations for the World Summit on Sustainable Development in Johannesburg were a disaster. Four months before the Rio Summit in 1992 there had been substantial progress on Agenda 21 and on the treaties on climate change and biodiversity. This time, there were no equivalent achievements in sight for Johannesburg. The rising star of the Millennium Development Goals reflected the lack of progress elsewhere.

This was not an isolated example. In many other areas we were seeing increasing difficulties in international negotiations.

There were three hypotheses that might account for the current malaise. The first was that the US was not doing what it should be doing, given its dominant position. But this hypothesis did not explain many of the problems. The issue was not so much a lack of US leadership as a dislike among other countries at the direction in which the US was leading. The interests of a dominant state were fundamentally different from those of other states. A dominant power had a strong interest in maintaining the status quo. On landmines, for example, the US had an interest in achieving military goals by technology rather than by manpower—hence its interest in maintaining “smart” landmines as an option.

The second hypothesis was that September 11th had diverted attention from many other issues, and that the US in particular did not have the capacity to move forward on too many fronts simultaneously. This too was implausible as an explanation of the problems we faced. Work on

climate change continued throughout the relevant bureaucracies. And even at the highest levels, the US was capable of focussing on other issues when the need arose — witness the pledges that the President had made in Monterrey.

It was the third hypothesis that seemed the most promising: in international negotiations, most of the low-hanging fruit had already been picked. The previous decades had seen an explosion of effort in setting up new norms in areas where norms had not previously existed. In many cases, these had been based on what countries were planning to do anyway, so negotiations had been straightforward even if the effectiveness had been low. There were simply not the opportunities to repeat that process in new areas.

The key task now was a different one: to seek to co-ordinate the norms and put them into practice. This in turn implied a different role for international institutions. With fewer opportunities to expand the frontiers, there was also a need to catalyse the process *internally*. International law should not be thought of just as a top-down process, where new treaties were negotiated and then implemented in national laws. It was often better to work from the bottom up, learning from experience and dealing with implementation from the outset.

The Millennium Development Goals were important in the way they set specific targets and

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mandate for Rio was on desertification. But the outcome had been seen as important by the South in introducing a new compact on finance for sustainable development, based on three principles: additionality of funds; common but differentiated responsibilities; and the “polluter pays” principle.

Ten years on, the position looked different. Additionality had effectively been abandoned, with existing resources diverted instead. “Common but differentiated responsibilities” seemed to be on the way out, with the US determined to secure China’s and India’s inclusion in a CO₂ emission regime even though their per-capita emissions were only 1/80th of the US’s. And the “polluter pays” principle had been softened by Prior Informed Consent and by the Clean Development Mechanism. More generally, “sustainable development” had lost its meaning and become a mantra devoid of policy content. The Rio “Declaration on Environment and Development” was indeed “DEAD.”

The South was suffering also from severe negotiation fatigue on environmental issues. There was a huge range of subjects under negotiation, and poorer countries simply could not afford the resources to participate fully. The negotiating team for some international meetings numbered three from Pakistan as against two hundred from the US.

Not everything had gone badly from the South’s perspective: the desertification convention and the Global Environment Fund were welcome if limited advances. But enough had gone wrong to make the South much less enthusiastic about Johannesburg than Rio. The South’s agenda had changed too: sustainable development was now its own priority.

The challenges facing the South in environmental negotiations pointed to action in several areas:

- the South needed to define a proactive agenda for sustainable development, so as to put

had produced estimates of \$40-60 billion for the costs of meeting the goals, and that remained the best guide to the costs. But at the end of the day, much depended on the *will* of the donors and of the recipients. An effort was needed to make sure the momentum was kept up, particularly in the light of President Bush's pledges at Monterrey.

- Building capacity in developing countries was an important priority. There was a clear interest in both the North and the South in establishing competent collaborators and negotiators—not just on environmental issues but in other areas such as trade. Many of the negotiations were often very technical, with issues seldom reaching head of government level until the last minute. Technical expertise was vital. A number of regional institutions—particularly in Africa—were interested in approaches based on sharing experience and knowledge. And increasing at-the-table competencies was already one of IDRC's goals.
- Gloom about lack of progress in implementing the Rio agreements should not be overdone. Agenda 21 and other agreements had had a big influence on both NGOs and the corporate sector. Shell, for example, had set targets for reducing gas-flaring in Nigeria, in line with Kyoto targets.
- Similarly, some countries in the South had made progress since Rio in tackling environmental issues. China, for example, had established a Council on Environment and Development, chaired by a Vice Premier, with participation both from within the Chinese Government and from around the world. It advised the Chinese Government on how to implement Agenda 21, based on analysis of the problems and of the possible solutions, and on using both modelling and pilot studies. China had started to publish yearly reports to alert the Chinese people to the major problems in areas such as water and air pollution. After Rio, China had sat down with donors and presented a range of large projects designed to meet these goals, without seeking additionality in funding. Actions like this reinforced the trend towards it being the South who would say to the North “clean up your act.”
- One of the reasons the South had been positive about the Rio outcomes was that it saw the focus on genetic resources and ownership as a way to make money. That too had not happened as fast as had been expected, though there had been renewed interest recently in a treaty on genetic resources.
- There were problems in how best to handle science and technology advice when looking over a long period ahead. On climate change, for example, the science changed rapidly, and the slate of technical options was very different from that existing ten years ago. This created genuine difficulties over projecting where long term interests lay. In those circumstances it was rational to discount events in the distant future and to place greater weight on short term outcomes, even if that led to accusations from others of ignoring long-term interests.
- the G77 was made up of

removed from those of the poorer oil importers. It was a paradox that if the South saw itself as having more powe

governments. In the US, public opinion was generally less supportive of foreign aid, but there was widespread ignorance of how much was spent—with many respondents estimating it at many times the true amount.

The lesson to be drawn from these surveys was that those involved with aid administration needed to do more to engage with the public, and to explain the background to aid policies and aid programmes. Greater leadership was needed to secure public acceptance for increases in aid budgets. NGOs could help to build public constituencies, though many NGOs were focussed very much on their own policy priorities.

Private Donors

US foundations and other private donors played a significant role in supporting projects and initiatives in developing countries. There had been some significant new foundations set up, with a focus on health or poverty. The falls in world stock markets had had some impact in reducing the funding available, though in aggregate charitable giving remained substantial—amounting to some \$150 billion in the US in 2000.

The boards of foundations were pressing them to become more strategic and focussed, looking for high impact projects, with visible and measurable outcomes. Internationally, there was often a focus on helping to build indigenous NGOs in developing countries, and to build local philanthropy through such initiatives as community foundations. Even though developing countries were poor, not everyone in those countries was poor. Co-ordination was an issue: private foundati

disastrously, and would have been even worse but for the pledges at Monterrey. A great deal more was needed—at a minimum a doubling over the next ten years, though some thought it could and should come through even faster.

- Even within the new models of assisting development, traditional ODA was needed for funding essential infrastructure, including better education and a sound legal framework. It was hard to get private sector funding for such things as rural roads and rural telecommunications. ODA also played a role in funding research and building capacity, for example by supporting indigenous modelling and testing.
- Much attention had focussed on President Bush's pledges at Monterrey of an increased volume of aid. But he had also introduced new conditions before the additional money could flow. These conditions were capable of derailing the process, though much of the detail was still unclear.
- Although some saw Monterrey as a disappointment, it did provide an opportunity to move development forward and to create the climate for funding new initiatives. It was the first time that the Bretton Woods institutions and the UN had collaborated on such a process. But it was dangerous to make too much of the intangible benefits from holding such conferences, or to view the *holding* of conferences as in itself an acceptable outcome.

The Critical Case of Africa

G8 and NEPAD

The discussion then concentrated on Africa. It began with an outline of the plans for the G8 Summit at Kananaskis, and in particular how the Summit would handle the proposals in the New Partnership for African Development (NEPAD). The intention was that a substantial portion of the discussion at the Summit would be devoted to Africa, with several African leaders being invited to attend.

In preparation for the Summit, the G8 leaders had appointed special representatives for Africa, who had had a series of meetings both with representatives from the NEPAD Steering Committee and with representatives from the wider NEPAD Implementation Committee. A number of other traditional donors had been invited to take some part in the preparations. The Canadian Government was also planning a conference in Montreal with African NGOs and h

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- the barriers that existed to the NEPAD process:
 - changes in governance were difficult to implement, and could not take place overnight;
 - the multilateral institutional framework was over 50 years old, and was not well-suited to the tasks required of it;
 - the needs and performance of the 53 countries on the African side were very different—and only some were fully signed-up to the NEPAD process;
 - the need to do more on debt remained an African priority, but little progress had been made on extending or expanding the existing initiatives;
 - the issue of Zimbabwe continued to divide opinion. On the one hand, it was seen as a test of how far Africa was seriously addressing governance concerns. On the other hand, it was seen as an issue for Africa to deal with, and not relevant to NEPAD since Zimbabwe had not signed up to the process or to the principles.
- the nature of the post-Kananaskis framework, given that the G8 Summit would be the beginning of the process not the end.

The African viewpoint

The participants from Africa were invited to give their personal views on NEPAD and on the challenges facing Africa more generally. The following paragraphs summarise the main points made in these presentations.

Introduction

Until the NEPAD initiative, Africa had not had its own blueprint. Initiatives had been ad hoc, and Africa had often been dictated to by the Bretton Woods institutions. There had been a failure of leadership on the African side. But African leaders now admitted their shortcomings, and accepted that a lack of accountability and transparency had undermined many previous efforts.

More respect needed to be given to allowing Africa to set its own priorities and to find its own solutions. In the 1980s, the Zimbabwe Government had put a major effort into raising participation rates in education. Both the IMF and World Bank had argued against that at the time. But it had proved to be one of Zimbabwe's biggest achievements, with those securing a basic education rising from less than 30% to over 90%. The IMF and World Bank now admitted that their previous advice had been wrong.

Challenges and opportunities

Africa faced a range of challenges that needed to be addressed. These included:

- poverty;
- a lack of competitiveness—its share of world exports had fallen from 3% to 1.2%;
- widespread conflicts—and the migration and refugees that resulted;
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Peer review

- Peer review within NEPAD was crucial. From a donor perspective it addressed one of the key problems: that aid was effective in the right policy environment, and ineffective otherwise. But it would be hard to implement. Leaders were often reluctant to criticise each other. And the appropriate mechanisms for peer reviews had not yet been worked out. Heads of State would not be equipped to monitor implementation without the necessary infrastructure of analysis and support. But even where peer review was informed by technical analyses, it was important for leaders to own the process, so that they felt an obligation to apply the recommendations.
- Peer review involved two elements: one was learning and sharing; the other was accountability. In the NEPAD context, the first was probably the most significant, though it was the second that would attract media attention. The choice of

Future work on NEPAD

Introducing the discussion of future work on NEPAD, **Gordon Smith** noted that many speakers had commented that what was wanted from the G8 process was more than just words. This conference could help by identifying ways in which concrete action plans in specific areas might be developed. This could be important input to the G8 Summits, not just in Kananaskis this year—when discussion would inevitably be fairly general—but also in France in 2003. The objective was to help make NEPAD happen in a few areas by using innovative, participatory processes.

Barry Carin outlined the way in which specific project proposals might be worked up. He had found that an element of competition helped to focus project design. One possibility was therefore to identify some 15 topics related to NEPAD that seemed promising. Suitable authors would be found—he hoped most would be from Africa—and would be commissioned to flesh out ideas and produce a road-map of what steps would be needed to make a specific initiative happen.

The initial 15 proposals would then be winnowed down to perhaps 6-8 that would receive additional funding, so that the ideas could be worked up in more detail. The criteria for selection of the 6-8 proposals would include:

- impact
- feasibility
- demonstration effects—so that results could be replicated elsewhere
- additionality—to avoid reinventing the wheel

Wider public engagement would also be sought, with the help of the Commission on Globalisation. The plan would be to present the final proposals both to the G8 and to NEPAD as specific projects that met the objectives of both sides, while at the same time having wider applicability.

In discussion, there was general agreement on the need for a process that would help build capacity, and encourage learning from experience, and analysing and sharing results. The main points made about the proposed process were:

- Many areas in NEPAD were not defined in great detail, and it was helpful to the NEPAD process to come up with constructive proposals. But it was also important to respect NEPAD's vision and the way it operated. The NEPAD Secretariat were very open to new ideas, and what was proposed should be discussed with them.
- The project proposals should probably be country-based to maximise their feasibility. But they should be capable of being replicated elsewhere if the initial outcomes proved favourable
- Picking good authors for the initial proposals was important. It would be a shame if good projects lost out in the selection phase simply because they had not been well presented and developed.

- Project proposals would need to address and spell out issues such as who might fund the project, how public consultations would be conducted, and who would be most interested in the outcomes.

There was some discussion of which policy areas within NEPAD were the most promising or the most important for projects which could be developed using this process. Potential projects that were identified (not in priority order) included:

- improving corporate governance
- facilitating micro-finance
- reducing the digital divide
- establishing a strategic recovery facility for the aftermath of conflict
- establishing capacity for scenario building
- creating incentives for the Diaspora to return
- capacity building in the civil service
- increasing transparency in government processes
- increasing the capacity to respond to e-commerce opportunities
- promoting new approaches to citizen engagement

More generally there were a number of priority areas where detailed project proposals might be sought:

- health
- education
- agriculture
- trade and market access
- bio-technology
- water
- economic and financial governance
- energy
- transportation
- urbanisation
- political governance, including freedom of expression and electoral processes

Conclusion

Gordon Smith thanked everyone for their participation. The conference had generated both perceptive analysis and a range of proposals for the future. He was encouraged by the enthusiasm for NEPAD and the NEPAD process, and believed it was important to find ways in which the momentum behind it could be translated into real progress for Africa.

The Centre for Global Studies, together with the Commission on Globalization, would consider further how best to take forward the process that had been identified, and would discuss this with those who had expressed interest in backing such work. He believed that new and innovative proposals, involving wide participation, could play an important role in making NEPAD a reality.