Reconceptualising transnational governance: Making global institutions fit for purpose
Sean Cleary, Executive Vice-Chair, FutureWorld Foundation

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I. THE GLOBAL AGENDA: THE NEED FOR DEEPER INSIGHT AND AGREED NORMS

It has become ever more apparent in the past decade that to manage systemic global risks, and to protect the global commons, we need to manage transnational challenges more effectively. The tension between the short-term pressures on national leaders from their citizens, and the trade-offs needed to balance costs and benefits in inter-national and inter-temporal transactions, makes collective action on transnational scales difficult under most circumstances. Current events, from the recent global financial crisis and recession, through geopolitical challenges of different scales, and the transformative effects of new technologies, to the risk of inflection points if we transgress planetary boundaries, make it clear that present arrangements are far from satisfactory, even in the aftermath of CoP 21 in Paris.

The complexity of the adaptive ecosystem in which humanity is embedded, and of the global economic and social systems that we have created, exceed our capacity to understand and plan their workings. Human society is a complex system, incapable of control on a collective scale; it is also a core component of the biosphere, a more complex adaptive system, within whose interactions the potential for unintended consequences – some greatly deleterious – is enormous. Adaptive change in the biosphere impacting on human societies was a source of uncertainty for millennia. Today, in what some researchers style the Anthropocene, aggregate human behaviour using both old and new technologies, is the primary element destabilizing the biosphere, by destroying biodiversity, transforming the nitrogen and phosphorous cycles, and negatively affecting the oceans and the atmosphere. Limiting this damage, and the risks attendant on it, is imperative.

But academic, disciplinary and institutional specialization makes it difficult to address integrated global challenges comprehensively. The plethora of government ministries, departments within regional Commissions, and UN specialised agencies, show our fractured approach. The potential impacts of any threat are, moreover, experienced and interpreted differently by different groups, often preventing the emergence of common perspectives, and inhibiting agreement on what to encourage and what to proscribe.

In 2011, at the Trilogue Salzburg, we discussed the need for comprehensive Norms for Global Governance. It became clear that the absence of integrative trans-disciplinary categories that allow us to understand global challenges properly, the divergence of interests, and the discrepancies in the way in which values are prioritized in different societies – and subsets within them – frustrate agreement on the collective action needed to address challenges across national boundaries. The fraught debate in Europe, in and after 2010, over the best means to maintain the European Union and the Euro in conditions of economic and social stress, reflects these tensions on a more limited scale. The challenges of extending humanitarian asylum, and effecting social integration and job creation in the wake of a continuing flood of migrants, notably from the Levant due to Syria’s destruction, has put European institutions and treaties, and the Union’s political cohesion, under still greater stress.
a. Future Challenges

The world faces many challenges that can only be resolved by effective collective action. The need for enlightened collaboration will grow. Over the next thirty-four years we shall see sharp increases in aging within most societies, not only in Japan, Western Europe and Russia, where this has been underway for some time, but also in China (due to the one-child policy and rapid urbanization), India (about a decade after China), and the United States (offset to a degree through migration from Latin America). Pension, health and other social security systems will come under increasing pressure. Indeed, by 2050, only the Middle East and Africa will not yet have experienced appreciable reductions of their populations of working age.

Urbanization will continue to accelerate. In 2014, 54 percent of the global population of 7.25 billion lived in urban areas, up from 30 percent in 1950, and 37.2 percent in 1970. Two-thirds of more than nine billion people will live in towns and cities by 2050, representing an increase of at least 2.5 billion urban dwellers. Nearly 90 per cent of the increase will occur in Asia and Africa. From 1970 to 2010, the percentage of persons living in towns and cities in Africa, Asia, Latin America, and Oceania rose from 25.5 percent to 51.8 percent. Sub-Saharan Africa, only 40 percent urbanized in 2014 (with just under 300 million residents, 200 million of whom live in slums), will rise to 64 percent (1 billion residents) by 2050; China about 40 percent urbanized today, will reach 73 percent by 2050; India, with under 30 percent of its population in urban environments today, will see that rise to 55 percent by 2050. India, China and Nigeria are expected to account collectively for 37 per cent of the projected urban population growth to 2050. India is projected to add 404 million urban dwellers, China 292 million and Nigeria 212 million.

Tokyo is the world’s largest city with 38 million inhabitants, followed by Delhi with 25 million, Shanghai with 23 million, and Mexico City, Mumbai and São Paulo, each with around 21 million inhabitants. By 2030, the world is likely to have 41 mega-cities with more than 10 million inhabitants. Tokyo is projected to remain the world’s largest city in 2030 with 37 million inhabitants, followed by Delhi where the population is expected to rise to 36 million. Unlike the past, a high percentage of large cities today are in the global South. The fastest growing urban agglomerations are medium-sized cities, and cities with less than 1 million inhabitants, in Asia and Africa.

Sharply rising urban populations, associated with higher vehicle use, greater energy generation, and the concentration of industries in and around cities and towns, are key sources of greenhouse gas emissions. Although today’s cities occupy only about two percent of the earth’s landmass, disproportionately in coastal areas, they consume three-quarters of the world’s energy, and account for at least three-quarters of global pollution. Urbanization drives up energy consumption: a one percent increment in urban population is reported to increase energy consumption by 2.2 percent. Cities also tend to become 1 to 6 °C warmer than surrounding landscapes, depending on their size.
UN Habitat indicates that the growing demands of urban production and consumption are dangerously accelerating the pace of climate change. By 2050, they estimate, as many as 200 million people could be displaced by climate change “...unleashed by development and manipulation of the environment”. The high concentration of cities on coastlines, and near floodplains, accounts for this. Enabling more equitable and environmentally-sustainable urban development is thus essential.

Rapid urban growth and efforts to curb city sprawl are leading to further densification. This reduces motor fuel usage per capita and limits the need for highway development, but confronts city planners, managers and residents with new challenges – enabling maintenance of infrastructures, refuse removal and delivery of supplies to businesses in congested neighbourhoods; and retaining, or improving, the quality of life in more populous boroughs. Congestion, refuse accumulation and traffic disruption due to road and pipe maintenance are all too common in large cities today. Making the cities efficient and habitable in the face of rising urbanization requires innovative urban design, coordinated planning, and effective engagement.

The burgeoning slums on the urban peripheries pose the greatest challenge. Most of the largest urban agglomerations – Delhi, Mumbai, Mexico City, Shanghai, Calcutta, Karachi, Cairo, Manila, Lagos, and Jakarta -- are in low-income countries; many poor countries have several cities with more than 1 million residents: Pakistan has eight, Mexico twelve, China more than a hundred. Between 2010 and 2020, some 632 million economic migrants will swell the city surrounds of developing countries. Between 2000 and 2010, the number of slum dwellers in developing countries rose from 767 million to 828 million. This might reach 889 million by 2020.

These built environments confront urban planners with apparently intractable demands. Incomes per capita in these exploding megalopolises are between a sixth and a third of those in the USA when it reached urban residency of 65 percent in 1950; municipal planning and implementation capacity is generally weak; and very high concentrations of people in fragile informal settlements inhibit large-scale provision of energy and sanitation infrastructures. In Africa, 175 million of the 200 million slum dwellers today, have no access to decent sanitation. In Lagos, two thirds of the people live in slums with sparse access to clean drinking water, electricity or formal roads.

One can summarize the situation crisply: By 2050 we shall have some 2.2 billion more people on the planet; potentially three billion more in the middle class; but between a quarter and a third of the global population will be slum dwellers, with very limited access to services, unless we act constructively and decisively.
b. Present Context

A rising global population, living increasingly in urban environments, and with higher disposable incomes than today, will, of course, consume more. The growing tension between a rising global population with expanding desires, and the falling stock of natural capital—groundwater, marine life, biodiversity, crop and grazing land, and a healthy atmosphere—is not sustainable. Demands for privileged lifestyles in the emerging economies may push us to an inflection point faster than we know. Climate change—and its impact on the other parts of the ecosystem—may create a systemic feedback loop that threatens survival. We must better align insights, policy, and action to avert this, and to mitigate its effects.

We must de-link the economic growth needed to eradicate poverty, provide security and sustain welfare, from reliance on the incineration and emission of more carbon; and we must encourage humanity to distinguish human satisfaction from excessive production, accumulation, consumption and waste. The first is a significant technological and economic challenge; the second is more demanding.

Fear and want enable the survival of species. Fear enables prudent behaviour to avoid threat; greed encourages accumulation to provide for scarcity, and sexual wants underpin procreation. Greed has become counter-productive, however, as we have destroyed the balance between our stocks and flows of economic, technological and natural capital. We have grown the first two through urbanization, industrialization and financial sophistication, but depleted the available natural capital. Overconsumption, excessive acquisition, and the attendant waste and pollution, must be constrained.

The evolution of global circumstances is shaped by significant trends, observable over longer periods, which affect countries, regions and communities in different, but related, ways. The landscape at the end of 2015 is marked by continuing uncertainty about the global economy at the end of the deepest recession since WWII, and the effects of unwinding unconventional monetary policies employed to prevent the implosion of the financial sector in 2009; geopolitical tensions due to global geo-economic shifts, disclosing gaps in the global strategic architecture and the absence of coherent norms to enable the peaceful balancing of divergent interests; structural and generational pressures transforming the institutions of representative democracy, as well as work and education; and system-wide stresses due to the impacts of a growing, rapidly urbanizing, human population on the biosphere in which it is embedded. The challenge of the present is compounded by the evident weakening of many state powers and the emergence, and growing strength and influence, of a plethora of non-state actors.

Each of these trends, individually, and in their relations to one another, pose important challenges. We need insight into the working and relations of these factors underpinning them; understanding of the trends themselves, and of plausible futures flowing from their systemic interplay; and an ability to manage and mitigate the risks we can discern. This is no trivial assignment. It is rendered
more complex by the probable economic and social consequences of the transformative and potentially disruptive applications emerging, in unpredictable combinations, from a rich, historically unprecedented, pipeline of research into info-, bio-, nano- and cogno-technologies. The outcomes that emerge will revolutionize the world of work, challenge the fundamentals and principles of education, and test social cohesion.

i. Global economic circumstances
The global financial and economic crisis from 2008-2013 arose from significant global imbalances, flawed financial architecture, poor macro-prudential oversight, and misaligned incentive structures in large financial institutions. Unconventional monetary policies (UMPs) by the leading central banks prevented the collapse of the financial system, and sustained a reduced level of global economic activity, creating a breathing space for recovery. This came at the cost of a sovereign crisis in the Eurozone, however, where further UMPs and some fiscal support were needed to enable borrowings by Mediterranean states, temporarily averting their fiscal implosion.

These unprecedented policies enabled the revival of financial markets, many of which doubled their levels between February 2009 and December 2014, and created space for restructuring. More fiscal, financial and structural reforms are needed to restore fiscal balance, reduce unemployment in Europe, and enable growth. Product and labour market reforms and investment in infrastructure are required in most of the advanced economies, and the risk of reversion of global imbalances, which have shrunk since 2008, must be managed prudently.

By the end of 2014, economic activity had picked up in the UK, the U.S and Japan due to growth in final demand, although Japan’s recovery petered out due to fiscal constraints. Eurozone economies are still in the doldrums, prompting the ECB to adopt negative rates and start a programme of asset purchases in June 2014. In many emerging market economies, despite stronger exports, domestic demand was weaker due to tighter financial conditions. Brazil, India, Indonesia, Turkey and South Africa had current account pressures and relatively high inflation, with Brazil, Turkey and China also seeing dangerously rapid credit growth. Russia is suffering considerably from its dependence on commodity exports, exacerbated by financial sanctions imposed after its confrontation with the West over Ukraine. The Chinese government cut back on policies to stimulate growth to contain inflation, and accelerated its shift from export-led, infrastructure-based growth, to domestic consumption-based growth in line with its Vision 2030. In July 2015, the sharp 43 percent correction to price levels on the Shanghai Composite Index – which had more than doubled between December 2014 and June 2015 - caused market shocks around the world, but was contained by the ensuing devaluation of the renminbi. Despite the International Monetary Fund’s decision to include the renminbi in its reserve-currency basket, relaxation of exchange-rate controls beyond managed, gradual currency depreciation, is unlikely. While the renminbi’s movements have reflected market prices since the devaluation, the Central Bank intervened strongly to prevent the currency falling too fast.
The fast-growing debt of China’s local governments and state-run firms has put pressure on the financial system and slowed economic growth, despite the government’s resort to the domestic bond market. China’s overall debt reached 211 percent of GDP at end Q3 2015, up from 201 percent at end Q4 2014, and 136 percent in 2007. About 18 trillion renminbi, a third of GDP, is debt of local governments that lent heavily on orders from the government to combat the global financial crisis.

All these factors shifted the stimulus for global growth from emerging markets (EMs) to the U.S. in 2015, while risks to the growth outlook moved from the advanced economies (AEs) to EMs. The IMF pointed to EM vulnerabilities, the legacy of the crisis of the AEs, and weak systemic market liquidity, as the three key risks, in its *Global Financial Stability Report* in October 2015.xiii

The EM economies were also constrained by the U.S. Federal Reserve’s ‘tapering’ of asset purchases, because UMPs had encouraged flows of $1.1 trillion to emerging markets between 2010-2013H1, $470bn above the long-term structural trend. Meanwhile, by 2012, aggregate GDP growth in these economies had fallen 2.5 percent below 2010 levels. High growth rates in the EMs in the preceding decade reflected rising productivity and higher external demand. The subsequent slowdown reflected weaker cyclical demand from the AEs, softer commodity prices, tighter financing conditions, and higher unemployment. Most EMs also experienced financial volatility as the U.S. Fed reduced asset purchases. Actions by key EMs to strengthen their macroeconomic stances stabilized the markets, but growth slowed further in those countries that needed to rebalance external and fiscal imbalances – Brazil and Argentina to the fore, as well as South Africa. To grow strongly over the next decade, EMs will need to increase domestic consumption and infrastructure spending, and allocate capital and skills to boost productivity.

ii. Geopolitical tensions

Geopolitical tensions with global significance now define three significant areas – (a) that between the eastern Mediterranean and Central Asia, including Afghanistan, Iraq, Syria and Yemen, generating waves of internally displaced persons and refugees, low-level fighting in the Kurdish regions of Turkey, and anarchy in Libya; (b) the Russian near-abroad, notably the Ukraine, but also Georgia, where Moscow recognised Abkhazia and South Ossetia as independent entities on 26 August 2008 after four months of fighting; and (c) in the East- and South China seas due to Beijing’s assertion of territorial claims, and Pyongyang’s dangerous eccentricities. Each of these is partly the product of the demise of the bipolar geopolitical order defined by NATO and the Warsaw Pact after the implosion of the Soviet Union in 1991. The progressive transformation of the global economy, and China’s rise in particular, accelerated the trend, as Washington’s inability to play the part of global hyperpuissancexiv became increasingly clear.

This has particular importance for the European Union, which faces a raft of challenges, and though experienced in crisis management – not least because of recent pressures on the Eurozone – faces
a more demanding situation than before. The European neighborhood is defined by Islamist terrorism and uncertainty about Russian intentions. Europe’s open societies and rule of law have not inspired transformation of the values of the countries surrounding the EU. Instead, the disorder of the neighbourhood has projected tensions into the Union.

The refugee crisis, fuelled by conflict in the Levant, is the greatest of these. The union’s capacity to manage the influx of migrant was overwhelmed, and the Schengen and Dublin agreements put at risk. Although the immediate challenge can be managed, integrating the refugees into local communities and countering the rise of xenophobic populism will be far more difficult. In Germany, the Alternative für Deutschland is polling at double what it won in the last Federal election in 2013, while the Front National in France, the Freiheitliche Partei Österreichs or the Dansk Folkeparti are polling even higher.

Progress on both the Transatlantic Trade and Investment Partnership (TTIP) and a single digital market are essential for the EU’s global competitiveness, as are efforts to implement the planned capital-markets union and to define a common foreign and security strategy by June 2016. The British referendum on continued EU membership having led to Britain’s decision to withdraw, there is a risk of confusion and a weaker union. Meanwhile, the future of the TTIP is at risk after Mr Trump’s election to the U.S. presidency.

The EU will look very different in a few years, either a fractured union, preoccupied with arresting its breakdown, or a vigorous union with a coherent policy on refugee, border, and asylum issues focused on finalizing the TTIP and the digital single market.

iii. Weakening of representative democracy

In parallel with these geopolitical developments we have seen a continuing decline in state sovereignty, power and authority, and falling trust in governments and other institutions. Both the individual’s sense of personal and institutional responsibility, and government’s acceptance of accountability to citizens and stakeholders, have declined. New digital technologies that effect economic connectivity through transnational supply chains, integrated energy networks and financial systems, combine with global broadcasting, advertising and public relations consortia in weakening national governments’ ability to promote the interests of their citizens, and to deliver on their campaign promises. Civic disaffection, political polarization and populism are natural consequences, leading many to express cynicism and defect from voting. These tensions at the national level also exacerbate the difficulty of enabling collective action at transnational scales.

This is apparent in both democratic polities and the developing world. Membership of political parties and participation in elections has either fallen, or flattened, in all European countries in the past 40 years, while the ‘third wave’ of democratization in Africa, Eastern Europe, Asia and Latin
America, apparent in the decades between 1975 and 2005, has stalled, with evidence of regression from what Freedom House characterizes as freedom, in the past decade. xiv

Social media have empowered the millennial generation xvii - 76 percent own a smartphone, and most are online for over six hours a day – but 52 percent do not believe that their country’s political system represents their value or beliefs. The percentage rises to over 60 percent in Europe and Latin America, hovers at 53 percent in the USA, and drops to 44 percent in Asia and 41 percent in the Middle East and Africa. While family (85 percent), school (61 percent) and friends (56 percent), followed by technology (30 percent) have shaped their outlooks on life, government has influenced only 8 percent.

The millennials’ beliefs on “the most important way to make a difference in the world”, are interesting: 42 percent say “access to [quality] education”; 41 percent say “protecting the environment” (with another 24 percent saying “promoting sustainable energy”; while 39 percent say “eliminating poverty” (with a further 24 percent saying “providing basic food and shelter to people”). While 62 percent believe they can make a difference, as individuals, on local issues, only 45 percent believe that an individual can make a difference by working through the political system. Very high percentages believe that digital networking is an effective way of influencing outcomes, with 40 percent believing that they can individually have a global impact.

The role of social media in organizing political protest in Tunis, Cairo, Istanbul, Rio de Janeiro, Bangkok, Kiev, Hong Kong and Johannesburg, and in coordinating social and economic protests around the world through the Occupy movement xiv, supports this empirically, but none of these campaigns has defined remedial programs, or generated identifiable leaders or institutions. We risk further weakening the authority of our political systems, without clarifying how to improve or replace them. Social media – and other information and communications technologies – provide access to information, often without context, and prompt the illusion of expertise, thus encouraging active engagement, often with less reflection than is needed to make a constructive contribution. Twitter and Facebook privilege emotion and expression, but discourage analysis and insight.

The implications for democratic institutions deserve careful consideration. Present-day democratic constitutions provide for representative government through the election of persons to serve in executive and legislative posts for fixed terms, to allow them to implement the promises they made in their campaigns. This is not unqualified: Several countries make provision for referenda and initiatives to prompt or prohibit reform; recall elections allow citizens to remove an official from office before the end of the elected term; and impeachment of a sitting President by the U.S. Senate is possible in defined circumstances. Parliamentary systems make provision for votes of no confidence in the Prime Minister, requiring an office-bearer to tender his or her resignation. But social media are enabling new revolts: Activist campaigns triggering mass protests led the military to displace two Egyptian Presidents – one of whom was duly elected – within two years between...
2011 and 2013. Even well-intentioned governments, required to respond urgently to mass demonstrations, are not afforded the time for mature consideration of policy. Succumbing to mass pressure, mobilised and exacerbated by social media, weakens the authority of representative governments; while suppressing demonstrations forcefully, destroys their legitimacy.

Meanwhile, trivialization of political discourse and policy debate, with candidates increasingly focused on delivering ‘punchlines’ that can be rendered succinctly in a ‘tweet’, and communication professionals concerned to mould their candidates’ positions to the expectations and wishes of key segments of the constituencies needed to secure nomination and election, has widened the space for irresponsible populism. Thoughtful analysis of social and economic circumstances, or geopolitical challenges, and efforts to craft superior alternatives, are increasingly rare. Neither stylised debate formats, presented as info-entertainment on national and international broadcast channels, and commented on by partisan advocates for days thereafter, nor the stream of ‘tweets’ and selective video-clips that make the rounds of social media, enable insight or understanding, or permit uncommitted voters to judge prudently which candidate will best serve the commonweal. Stereotypes abound, and are ruthlessly or cavalierly reinforced by commentators on networks more concerned with ratings than integrity. Truth is the first victim, with reputation often in its wake. Civil discourse and respectful disagreement are becoming rarer, as the social norms that required these are thrown overboard.

Donald Trump’s aggressive campaign style shifted the boundaries of U.S. political debate and, despite expectations that it would come to cost him support from the voting public, won the election. Trump exploited the frustrations and the anger of those outside the ranks of the elite, who see themselves as under threat. In 2015, Judd Legum used the metaphor of professional wrestling and boxing to explain Trump's campaign, drawing on Roland Barthes' "Mythologies", noting that Trump was inducted into the WWE (World Wrestling Entertainment Inc.) Hall of Fame two years earlier.

“A boxing-match is a story which is constructed before the eyes of the spectator; in wrestling, on the contrary, it is each moment which is intelligible, not the passage of time. The logical conclusion of the contest does not interest the wrestling-fan, while ... a boxing-match always implies a science of the future. In other words, wrestling is a sum of spectacles, of which no single one is a function: each moment imposes the total knowledge of a passion which rises erect and alone, without ever extending to the crowning moment of a result."

Mr Trump is a symbol of a larger malaise. Electorates around the world are showing signs of frustration with the workings of their politico-economic systems. Populism is on the rise, especially among those who are disempowered by the workings of global markets, and angry at the inability of national governments to "secure the welfare of the people". The progressive and near-universal adoption of free-market economic systems in the past 50 years has greatly increased domestic
productivity and international trade and investment, resulting in a truly global, industrial and financial system. The power of most governments to influence the welfare of their citizens has been appreciably reduced, and counter-cyclical fiscal stimulus policies have fallen into disfavour. Liberalization of capital flows for investment (and speculation) and the reduction of trade union power has led to relocation of manufacturing and service facilities to low-cost, high productivity locations, and transformed the structure of many national economies. All this has transformed democratic politics as we knew it, and governments, and the broader political class, are struggling to adapt.

iv. Technological transformation and social stresses

Rapid advances in technology, notably information technology, have equipped economic actors and citizens with new tools to identify and pursue economic opportunities – analysing economic trends and market opportunities, creating new businesses with low barriers to entry, transferring financial assets, and collaborating with widely-dispersed partners – and have disintermediated national political parties. Technological advancement has, moreover, progressively increased economic returns to capital and technology ownership, and reduced those to labor, widening economic disparity in almost all advanced economies, and weakening social cohesion. This trend is likely to accelerate.

Some analysts, such as Erik Brynjolfsson and Andrew McAfee xx, argue that the technological changes that have been building over two decades, have reached a tipping point that will accelerate at an exponential pace, fundamentally changing the global economy from production to consumption, and to trade, thereby creating new forces of competitiveness and transforming the future workforce.

Building on this argument in 2015, The Economist, in a special focus on the Rise of the Robots xxi, showed that the convergence of new chips, sensors, big data, and artificial intelligence are creating new machines that not only do things humans cannot, or do not wish to do, but also do things humans can do, but less efficiently. In effect, these trends suggest that the new digital age is converging with general purpose technology to unleash a new social order. xxii

The social and economic landscape is changing under the influence of robotics; three-dimensional printing that will shift production from geographically-distributed factory floors to local environments, and may collapse global supply chains; driverless electric cars, some operating in three dimensions; new energy sources disrupting utility models; and widespread use of composite materials instead of metals. There will be many new opportunities in substitution, optimization, and virtualization available to agile companies. xxiii The interface between greater computing capacity and big data will transform white-collar employment, potentially displacing all routine elements in market research, accounting and audit services; legal discovery and precedent search; and personalized medicine in the aftermath of human genome decoding. The half-life of medical
[and much other scientific] knowledge is shrinking continuously. The continued acceleration of efficiency improvement in CPU capabilities makes further disruptions inevitable, leading to unforeseen shifts in employment opportunities and patterns. All these are likely to continue to enhance returns to capital and technology ownership, rather than labour, exacerbating present trends.

Without a catastrophic economic breakdown or ecological disaster, there will be a continuing rise in demand for, and production of, what are today considered ‘luxury’ goods and personal services, with attendant price increases for items conveying prestige. This will be exacerbated by the sharp increase in aging, urbanizing, consumption, and expectations.

The low-cost manufacturing model is still viable in low-cost labour areas for the present. Construction, an industry of central importance in a fast-urbanising world, has seen a large-scale shift to precast panels integrating building services, and new materials, demanding skills upgrades, but there is still a huge demand for more skilled, or rapidly-trainable, labour at present. Access to global supply pool, notably in South Asia, China and parts of south-east Asia is containing costs. The use of large-scale 3D printing in residential, industrial and commercial construction may transform this industry before too long, however.

The mid-20th century educational model is wholly unsustainable under these circumstances. There is no possibility in this new world of acquiring the knowledge and skills that one requires for a lifetime of gainful employment, much less entrepreneurial endeavour, in the first 25 years after birth. We shall need to modularize the entire education system to enable continuous learning, upskilling, and horizontal and diagonal migration within work. Digital provision of knowledge and skills training will complement institutional provision, but access – and attainment – will continue to be uneven, as far higher levels of personal motivation are needed for effective digital learning, unless new neuro-scientific insights enable means to engage learning in ways akin to play.

Societies will need exceptional flexibility and adaptability, and high levels of social cohesion to manage these transitions. Unless older workers can be migrated from the workforce into productive, comfortable retirement, youth unemployment will continue to be a serious challenge in the Mediterranean countries. We already face a serious risk of a lost generation in many sub-Saharan African and MENA (Middle East-North African) countries, which have the youngest and fastest-growing societies: Due to twin deficits in education in Africa today – in access to school, and the quality of learning in school – a sustained youth unemployment crisis is looming: 30 million primary-age children are not in school, and a further 20 million adolescents; only one-third progress to secondary school and six percent to university; 38 percent of those between 20 and 25 years of age have less than four years of education, and the quality of teaching and hence, learning, is generally poor. Conditions are no better, and often worse, in Syria, Iraq, Libya, and Afghanistan.
If significant disruption does occur, it likely to result from unsustainable asynchrony between fast emerging technological capabilities and the normative frameworks and policies in place in particular societies affected by them. Technologies are embedded in socio-economic and socio-political systems: Each significant technological change produces both expected and unexpected outcomes. As technological change is dynamic, certain innovations are endorsed over others and drive new, often unexpected, trajectories. The governance of technology is a form of social policy, an effort to balance economic, political and social welfare; but even as we seek to guide and constrain technological change, our technologies guide and reshape our sense of what policy can and should be. As JM Culkin paraphrased Marshall McLuhan’s insight nearly fifty years ago: “We shape our tools, and thereafter our tools shape us.”

Part of the challenge is that there is a great number of socio-technological systems now emerging from unprecedented research pipelines. The putative regulatory requirements for innovations arising from nano-technology, neuro-technology and cogno-technology, and from interfaces between them that test the frontiers of transhumanism, are largely untested and likely quite different from those applied to info-technologies and even bio-technology, to date. The ethical and economic considerations in relation to several neurocognitive technologies are difficult to balance, and technology convergence will undoubtedly pose new challenges in areas ranging from health regulation to military ethics.

v. Tensions between technology usage and law enforcement

Few have thought through the tension between making information about their personal locations, views and actions digitally available to the Internet service providers whose products they use at no personal cost, while desiring to maintain privacy and prevent governments from having access to their personal data. In a world in which extremism and terrorism have proliferated and assumed protean forms, and radical groups of different ideological stripes employ digital communication instruments and financial systems, as well as explosive devices, with considerable skill, it is inconceivable that national intelligence services will not ‘mine’ the data made available through digital (and analogue) communications to search for patterns that may disclose planning of life-threatening attacks. Given the increasing business collaboration between terrorist groups and organized crime syndicates – whose operations now involve some $100 billion in annual transactions, using the same digital and financial systems – similar data-mining for evidence of criminal activities is inevitably undertaken by law enforcement agencies outside the national security realm.

These new technologies, the tensions they engender and the intimate connectivity that they and other elements of globalization effect, through transnational supply chains, integrated financial systems, and global broadcast networks, inherently weaken national governments’ ability to promote the interests of their citizens. Global economic expansion brings benefits to all if the government conducts prudent macro-economic and monetary governance; but these offer little
protection in a global recession. Civic disaffection, political polarization and populism are thus natural. Governance suffers and trust declines.\textsuperscript{xxx}

Governments, meanwhile, are at risk of overreaching: Those that can, are collecting unprecedented quantities of data and information, extracting meaning by using complex algorithms, machine learning, and artificial intelligence techniques to inform instruments of governance and the application of state-sanctioned violence. This is blurring the legal and normative boundaries between permitted and proscribed behaviours in conditions of peace and war, and transforming the accepted domestic space for social dissent. The combination of artificial intelligence techniques for the deployment of autonomous remote force, opens the door for government agencies, and criminal and terrorist groups, to kill anonymously and pre-emptively.

As the \textit{leitmotiv} of the democratic state is a social contract between citizens and government, these practices, employing algorithms and artificial intelligence as ancillary means of governance and state-sanctioned punishment, risk creating an opaque and unaccountable space, vitiating the premise on which democratic systems are founded, and placing governmental, and potentially state, legitimacy at risk. At the least, these new technological capabilities will require redefinition of the social contract, and new understandings of the conditions in which such conduct is deemed legitimate.

c. The challenge for transnational collective action
These tensions at national scales exacerbate the difficulties we face in enabling effective transnational collective action, and weaken both regional and global governance. Meanwhile, geopolitical tensions in East Asia, the Middle East and at the interface between the Russian Federation and the European Community, are further debilitating effective collaboration, as the worldviews and perspectives on national interests articulated by elites, and by populist politicians, in these areas – and even within key national societies – diverge sharply.

In an effort to grapple with these challenges, we identified five items on a tentative \textit{Global Agenda}. The five components fall into two classes: the first three are partly overlapping challenges, whose management is essential for continued human progress; while the last two are essential enablers for success.

- Delivering environmentally and socially sustainable economic growth – \textit{for without this, we shall not be able to achieve anything else}
- Reducing poverty and improving equity – \textit{because exceptional prosperity for the few at the expense of the many is neither morally justifiable nor politically sustainable}
- Addressing the sources of global and national vulnerability and promoting security – \textit{for security underpins both community and progress}
- Sharing the norms and values that enable global coexistence, and working to respect and reconcile cultural differences – \textit{because respect for core values and universal norms allows}
us to live in harmony, while appreciation of cultural diversity enriches our understanding; and

- Improving the quality of global governance and our global institutions – for most of the important challenges we face in a highly-connected world cannot otherwise be resolved.

Because of the need for integrated intellectual and disciplinary approaches, each challenge is defined comprehensively. Growth must be socially and environmentally sustainable; considerations of equity must frame our attention to poverty and inequality; the aim of reducing human vulnerability and strengthening agency and resilience at individual, national and global scales must inform our discussions on security. Integrated dialogue, in which specialists effectively communicate their insights to one another, is needed to address these challenges.

To progress beyond an elite understanding, however, we also need to define and secure acceptance of a comprehensive normative framework within which to address these challenges.

If respect for planetary boundaries requires transformation of present models of growth, we need both (i) an ethos that legitimizes restraints on carbon emissions and excessive consumption; and (ii) new development models that enable poverty reduction despite an aggregate reduction in current levels of production, trade, transportation, and wholesale and retail distribution around the world.

If security is to be enhanced, and potentially catastrophic systemic risks managed and mitigated more effectively in an increasingly connected environment, we need both (i) better understanding of the workings of the complex social, economic and technological systems we have built, and the ecosystems in which we are embedded; and (ii) broader and deeper agreement on the norms we shall employ to mitigate risk and enhance security and sustainability.

To achieve these, we need a deeper understanding of the worldviews of the different state actors, enabling us to understand their sense of their interests, and the values they employ in determining these. We need significant insights into the interests and values that lead each major societal cluster, and each influential polity, to adopt positions that must be accommodated by others in our collective efforts to agree on the provision and use of important public goods, and to manage the global commons.

We have therefore commissioned, over five years, an independent research and seminar series on each of the pillars of the Global Agenda, employing teams from leading African, Asian, European, Latin American and U.S. think tanks.

Each series comprises parallel programs of research on one of the challenges of the Global Agenda. An identical, open-ended mandate is given to each cluster, which is asked:

To develop core, actionable proposals, and to make explicit the values and norms that underpin its recommendations; to allow us to identify the perspectives, values and norms
which are held in common across each of these cultural clusters, and those that diverge.

The common perspectives that emerge from the research frame the scope of action on what all agree has to be resolved; while the common values and norms identified can serve as the normative parameters of the solutions to be developed.

The research hypothesis is that a triadic structure will emerge, that recognizes the need:

To subordinate key global public goods, and certain areas that threaten a tragedy of the commons, to supranational systems;

to cooperate more closely and harmonize rules on human rights, trade, financial flows and security (e.g. weapons of mass destruction, terrorism, pandemic control); and

to commit to common objectives in other areas, without necessarily creating institutions to control or enforce compliance.

The first pillar of the Global Agenda

Against that backdrop, the Trilogue Salzburg 2012 addressed the first challenge on the Global Agenda – Making economic growth socially inclusive, and environmentally sustainable. The title selected was: Tackling the Global Gordian Knot: Can economic growth be socially inclusive and environmentally sustainable? See http://www.futureworldfoundation.org/Content/Article.aspx?ArticleID=5411

The second pillar of the Global Agenda

At the Global Economic Symposium 2013, we addressed the second pillar of the Global Agenda under the rubric Poverty, inequality and equity – rethinking the paradigm

See http://www.futureworldfoundation.org/Content/Article.aspx?ArticleID=6908

The third pillar of the Global Agenda

At the Global Economic Symposium 2014, we addressed the third pillar of the Global Agenda - Vulnerability and security: Integrating approaches across scales

See https://www.futureworldfoundation.org/Content/Article.aspx?ArticleID=8354

The fourth pillar of The Global Agenda

At the Global Economic Symposium 2015, we addressed the fourth pillar of the Global Agenda: Sharing the norms and values that enable global coexistence, and working to respect and reconcile cultural differences.

See https://www.futureworldfoundation.org/Content/Article.aspx?ArticleID=15477

The research program for the fourth pillar built on the first three pillars to enable an integrative understanding of how to achieve security, equity and human welfare within the planetary biosphere, recognizing that divergent interests, different means of prioritizing values, and the absence of an effective coherent normative system at a global, trans-civilizational scale, frustrates efforts to achieve this. We distinguished between values, norms and laws and discussed their workings in political systems at national and sub-national scales; and explored the tension...
between analytical comparative genomic approaches\textsuperscript{xxxv} and the ontological-epistemological postulate of a collective unconsciousness\textsuperscript{xxxvi} on one side; and normative diversity as a feature of cultural reality, on the other.\textsuperscript{xxxvii} The discussion reflected both the communality of humanity, and its varying manifestations in different cultural contexts, raising the question of how to address this polymorphic reality effectively, through policy.\textsuperscript{xxxviii} The challenge of enabling collective action at transnational scales is sharpened by the absence of an extensive, coherent body of transnational norms\textsuperscript{xxxix}, akin to those that give national societies, cultures and religions a sense of community. This makes it difficult to balance divergent interests, enable sustainable growth, provide for effective security, or resolve debilitating conflicts. These core functions of political systems – at any scale – can only be delivered if there is agreement on the norms that regulate these functions.

\section*{II THE FIFTH PILLAR OF THE GLOBAL AGENDA: RECONCEPTUALISING TRANSNATIONAL GOVERNANCE: MAKING GLOBAL INSTITUTIONS FIT FOR PURPOSE}

The fifth, and last pillar of the \textit{Global Agenda} is the culmination of the enquiry. The aim of the research into the first three pillars was to enable an integrative understanding of the requirements for sustainable human welfare, social equity and security at multiple scales within the planetary biosphere.

The fourth pillar acknowledged that sustainable human coexistence in a digitally, financially and economically highly-connected world, on the cusp of a profound and wide-ranging technological revolution, and in which anthropogenic processes are testing planetary boundaries and posing risks of a \textit{tragedy of the commons}, means that divergent interests and different means of prioritizing values among national and cultural societies and communities of belief, must be accommodated in a coherent normative system accepted by all at various trans-civilizational scales.

The fifth pillar requires consideration of the structures, systems and institutions required to make global governance, and other instruments of collective action at appropriate scales, fit for purpose at this time.

\begin{itemize}
  \item **Western norms are no longer pre-eminent**
  
  The global order of the second half of the 20th century was built on a normative and legal structure based on Western values, which were represented by those seeking to enforce them, as being \textit{universal}. They were, of course, the products of the Western cultural and intellectual tradition, originating in Judaeo-Christian ethics and Greco-Roman philosophy and law, informed by the progressive acceptance of rights from Magna Carta through the Western Enlightenment, and reinforced by economic principles born of the industrial revolution, and the superior firepower of Western armies and navies in and after the 19th century.

  In the aftermath of WW II, the pillars of global governance – the United Nations (and its Specialised Agencies), the Bretton Woods Institutions (the IMF and what became the World Bank group) and the General Agreement on Tariffs and Trade (GATT), later transformed into the World Trade
Organization (WTO) – were crafted in accordance with the needs and the norms of the victorious powers. The norms that governed the system were not unchallenged: the Union of Soviet Socialist Republics, while participating in the United Nations, where it enjoyed a veto in the Security Council, was not represented in the IMF or World Bank, nor was it a party to the GATT, and it pursued a political, social and economic agenda distinct from that of the United States and its key Western allies. In politico-military terms, the states comprising the North Atlantic Treaty Organisation (NATO) and its associated bodies – CENTO, SEATO and ANZUS – anchored by the United States – stood in clear opposition to the states clustered around the USSR in the Warsaw Pact.

Furthermore, in the language of the time, the \textit{First World} (comprising market democracies) opposed the \textit{Second World} (of centrally-planned economies), leaving the remaining states and a growing number of new countries, lumped together uncomfortably as the \textit{Third World}. Certain states of substance sought to avoid becoming the captors of either dominant set of interests, and created the \textit{Non-Aligned Movement} (NAM) in 1961, although the leaders of some of these benefited by playing Moscow and Washington off against one another, securing favours from both. This condition persisted until the end of the 1980s, with Washington and Moscow supporting opposite sides in the Middle East, and waging proxy wars in Africa, in Afghanistan, and in Central America.

During the Cold War, however, the doctrine of \textit{Mutually Assured Destruction} (MAD) served as a norm governing the conduct of both military blocs. Over time, this led to new agreements: The Anti-Ballistic Missile (ABM) Treaty, the Strategic Arms Limitation Treaties (SALT I and II – the latter never ratified by the U.S. Senate), negotiated in the Nixon and Ford presidencies, and the Strategic Arms Reduction Treaties (START), initiated under President Reagan. All were premised on the principle of MAD.

Ronald Reagan and Mikael Gorbachev, for quite different reasons, brought the Cold War to an end. Reagan never doubted that American freedoms would triumph over Soviet communism, but he called for a world “which allows people to choose their own way, to develop their own culture, to reconcile their own differences through peaceful means”, and he sought to render “...nuclear weapons impotent and obsolete”.

Gorbachev understood the fragility of the Soviet Union and the risks of confrontation with the United States. His efforts to revitalise the system by purging Communist Party hardliners and balancing central planning with market economics, led to the destruction of the Party, the fragmentation of the Russian empire, and his own loss of power. \textit{En route}, he repudiated the imperative of class struggle and proclaimed peaceful coexistence as necessary for human well-being. Like Reagan, Gorbachev recognised that while distinctions would remain, “people are tired of tension and confrontation. They prefer a search for a more secure and reliable world...in which
everyone would preserve their own philosophic, political and ideological views and their way of life.\textsuperscript{xiv}

This confluence of views allowed the two men to agree, at Reykjavik in 1986, to reduce strategic forces by 50 percent over five years and to eliminate all ballistic missiles in ten. Although the agreement fell apart, it illustrates the spirit of the time. Soviet and US diplomats were also able to work together to withdraw from, and help resolve, regional proxy conflicts.

Gorbachev’s rationale encouraged the Poles, Hungarians and Czechs to press aggressively for independence. Accelerated liberalization hastened fragmentation, leading to the dismantling of the Berlin Wall in 1989 and NATO’s extension to Poland’s borders. When Yeltsin overthrew Gorbachev in 1991, the President of Russia dissolved the Soviet Union and dismembered the Russian Empire.

The sense that Western (and particularly Anglo-Saxon) economic and political norms, defined by Francis Fukuyama\textsuperscript{xv} as \textit{liberal markets} and \textit{liberal democracy}, had triumphed, and that the rest of human history would be defined by their progressive improvement, became the defining ethos of “globalisation”. Tom Friedman later eulogised the effects of this belief in \textit{The World is Flat}\textsuperscript{xxviii}.

Both Presidents GHW Bush and Bill Clinton hailed the “new world” – a world each said would comprise thriving democracies that recognised their shared responsibility for freedom and justice.\textsuperscript{lix} Commenting sagely at the time, Henry Kissinger noted:

“For the third time in this century\textsuperscript{i}, America thus proclaimed its intention to build a new world order \textit{by applying its domestic values to the world at large}. And for the third time, America seemed to tower over the international stage.”\textsuperscript{lix}

Almost as soon as this power was proclaimed, it ceased to be effective. As Asian states recovered capacity\textsuperscript{lii} in the last two decades of the 20th century, the presumed universality of the norms that “the West” had imposed was increasingly challenged and laid bare. Samuel Huntington\textsuperscript{liii} was disturbed to discover that Asian states and scholars rejected the rights that he assumed were universal. Efforts by political Islamists to assert salafist\textsuperscript{liv} principles, and restore \textit{shari’a} as the law governing Muslim polities, and potentially the whole of the \textit{umma}, dividing the world into the \textit{Dar al Harb} and the \textit{Dar al Islam} in the manner of Ibn Taymiyah\textsuperscript{lxv} at the time of the Mongol invasions, seemed to reinforce the thesis that a civilizational clash was looming.\textsuperscript{lv}

The conflicts in Afghanistan and Iraq, followed by the Arab revolts in the wider MENA region, have led not only to power struggles between factions within states, and contests for power between some, but to a major conflict between ethnic and sectarian groups across state boundaries, and an assault by Islamists on the international state system. China, rising economically, and rediscovering its ability to pursue its interests in its neighborhood, is questioning arrangements that others hoped had been settled for decades. Russia, whose leader sees the Western liberal approach to societal
tension as dangerous, in the context of “changes in the world order... [which] have usually been accompanied by, if not global war and conflict, then by chains of intensive local-level conflicts...[sees] ...no certainty that the current system of global and regional security is able to protect us from upheavals.”

No power can today independently found a world order on its values and norms. In November 2008, the U.S. National Intelligence Council, in Global Trends 2025, recognised this both as a reality, and as a trend towards 2025:

“The whole international system - as constructed following WWII - will be revolutionized. Not only will new players - Brazil, Russia, India and China - have a seat at the international high table, they will bring new stakes and rules of the game.”

This is inevitable: The ascendance of particularly the Asian powers, with deep reservoirs of historical experience, literate high cultures and philosophical reflection, makes challenges to the norms of international exchange established over almost two centuries of Western dominance, entirely understandable. The normative grip of the West on the world has slipped, and the characteristics of a successor regime are still unclear.

The conduct of international relations involves each nation state pursuing its national interests – in accordance with its values – in an environment in which the interests and the values of other states often diverge from its own. This tension can only be mitigated by joint definition of a legitimate order that accommodates the interests of all powers. Periods of relative peace in history have been characterised by agreement on the norms that constituted the legitimate order, and creation of a balance of power that enabled each state to accept that its vital interests were adequately met.

Hedley Bull observed that a global society must comprise ‘... a group of states, conscious of... common interests and common values... conceiv[ing] themselves to be bound by a common set of rules in their relations to one another.”

The challenge is thus to clarify the interests and the values that nations have in common, and to negotiate and define the common set of rules that will shape inter-state behaviour, and our collective conduct in the context of the global commons.

State interests will, of course, continue to differ. It is precisely this divergence that makes it so difficult to conclude international agreements. To reach agreement, and achieve the larger purpose of an international treaty, states must accept obligations they might prefer not to assume, and make concessions that have costs for their societies, at least in the short term. Sometimes it proves impossible to reach agreement, even as it does between individuals.

Only well-defined norms – or rules of the game – recognised by all as transcendent, and justifying the sacrifice of immediate self-, or national, interests, can manage the tension between short-term
national interests and the demands of a global order. Only by explicitly defining an inclusive normative framework appropriate to our time, can we create an anchor for a system of global governance that can address the needs of a highly connected world, and avert a *tragedy of the commons*.\textsuperscript{xxi}

Adherence to *norms* promotes coherent behavior within a group, allowing members to predict the responses of others. Deference to universally accepted norms within the global system thus promotes acceptance of the rights of each state actor by the others, while flouting them results in criticism, and, in more serious cases, economic or military sanctions.

This does not require uniformity of either personal or national *interests*, or of personal or societal *values*. It requires states to recognise the existence of a certain quantum of *common interests* and *common values* that justify the subordination of unfettered national discretion in order to achieve a superior purpose. For this reason, to paraphrase Bull, they “conceive themselves to be bound by a common set of rules in their relations to one another.”

Nothing in this construct requires states to abandon their cultures, or to desist from pursuit of national interests. Effective application of the paradigm does however require that states recognise that the exclusive pursuit of their national interests, without reference to the interests of others, or of humanity as a whole, is dangerous and potentially destructive of aggregate human welfare.

Efforts have, of course been made on many occasions in human history, usually in the aftermath of debilitating wars and other crises, to construct such arrangements. European history is replete with such arrangements, the *Augsburg Settlement*\textsuperscript{lxii}, the *Peace of Westphalia*\textsuperscript{lxii} and the arrangements made for a new European order at the *Congress of Vienna* in 1815 after the Napoleonic wars, being most familiar. On a global scale, the arrangements made after the First and World War, in the Peace of Versailles, and at Bretton Woods and San Francisco after World War II, have been discussed extensively. The latter arrangements established the structural elements of the global architecture still in place today.

b. Applying these principles more generally

The *lex naturalis*\textsuperscript{lxiv} codified for practical legal purposes by Grotius (Hugo de Groot) in *De iure belli ac pacis*, published in Paris in 1625, postulates that certain norms are applicable to all humans and must be applied in all societies.\textsuperscript{lxv} The *lex naturalis* is contrasted with *positive law*, which is human-made, contextual and subject to change. The norms comprising the *lex naturalis* are premised on *human nature*, and derived from rational analysis of its accidents. The ontological debate about the characteristics of *human nature* has been underway for millennia in Western philosophy\textsuperscript{lxvi}, and Chinese and Hindu ontology and epistemology are replete with similar examples.

One might argue that the norms associated with the *lex naturalis* emerged because they proved
essential to enable individuals to coexist in community ever since the establishment of small, egalitarian societies in the Pleistocene era in which human social instincts emerged.

Complex modern societies, premised on specialisation, division of labour and social and economic coordination, have emerged through a process of continuous adaptation and experimentation in different environments, each testing the limits of humans’ innate capacity and disposition to cooperate. Facing the ever-present risk of fragmentation into cliques and cabals, those concerned to maintain scale have employed techniques of coercive dominance, hierarchical nesting, symbolic ascription, and institution-building.

Elements of each of these management strategies – embodied in political systems – are evident in all societies today, and are replete in human history, but they have taken many different forms. The norms underpinning each polity may be similar, particularly at higher levels of abstraction, but are not identical. Actions by states, based on the perceptions of their governments and other elites, of the national interest, and the different quanta of military, economic, political and cultural capacity that constitute each state’s power, influence their behaviour, and often determine outcomes in interstate relations. The role of norms in constraining the naked pursuit of national interest, and in constituting a sense of national identity and purpose is not constant. Likewise, the extent to which particular emergent norms have permeated national societies – or transnational elites – is always uncertain until empirically determined.

Both cultural anthropology and cross-cultural psychology offer insights that enrich our understanding of the challenge. Biological inheritance, variations in the ecological context of habitation, and the socio-political organisational forms applied in particular societies over long periods, collectively shape both the social, economic and cultural behaviours observable in each, and the norms that emerge to sustain these behaviours.

Biological and cultural coevolution in the context of particular evolving, ecological circumstances, shape the cultures of particular societies. Individuals within each are socialised - through conscious tutelage reinforced by reward and punishment – and encultured – through observation and emulation of the behaviour of others within their society. This predisposes to cultural diversity across societies, and consistency within each.

But individual cultures are neither static – they adapt to changing ecological contexts – nor do they usually exist in isolation. Cultural diffusion, or acculturation – the adoption of particular cultural traits from another society – is thus another feature of cultural evolution. Despite elaborate theories of the conditions that inhibit and encourage cultural transmission, it appears that the adoption of exogenous cultural behaviours is always selective, never indiscriminate, and that selection serves the purposes of each society, interpreted in the context of its culture. It is thus understandable that efforts to impose comprehensive normative frameworks, or other cultural
artefacts, from outside a society, have failed in the past, and will likely do so in future.

How are we then to apply these insights to establish or develop institutions of global governance, and other instruments of collective action at appropriate scales, that are fit for purpose in the second decade of the 21st century?

A consultation in May 2015 by New York University’s Center on International Cooperation, on updating the rules and infrastructure for globalizationlxxxii, involving senior officials and experts in diplomacy, security, development and law, led to a few simple conclusions:

(a) The next UN Secretary-General (UNSG) will need both (i) to defend and generate political support to operationalize existing norms – such as R2P lxxxiii and commitments to mitigating and adapting effectively to climate change – and (ii) to innovate in key areas where significant normative gaps hamper collective action, and can and should be filled by the UN: Illicit globalization (including illicit financial flows, maritime security, drug controls, illegal migration, and modern slavery), and sustainable development (requiring transnational action on health, development technologies and resource scarcity).

(b) The UN may not be well placed to deal with other normative gaps as vested interests may lead Western governmental and emerging power market leaders in new security and cyber technologies, to oppose the UN’s playing an effective role.

(c) Making normative progress will require high leadership skills of the next UNSG, both negotiation skills to create political space for innovation, and corporate leadership skills to build a team that can secure and regulate important international agreements in technically challenging areas.

This approach, however prudent, assumes the continuation, with slight innovative modifications, of the structures and institutions created in and after 1945 in quite different circumstances, to serve a limited range of purposes seen as appropriate at that time. But the world has changed greatly since 1945, first through the expansion of the inter-state system through progressive decolonization after India’s independence in 1947; and secondly through the transformation of the global economy since the 1990s. The assumption that these instruments can be made fit for purpose is plausible, but not self-evident, in the face of fast-rising powers. The failure of the P5 in the UN Security Council to agree on a basis for Security Council Reform after the report of the High-Level Panel on Threats, Challenges and Change in 2004, caused disillusionment, and more recently, disagreement about the operations of the Bretton Woods institutions, and the long delay in the U.S. Congress’ ratification of the adjustment of the quotas and membership of the boards of the IMF and World Bank after reforms were agreed in 2010 to reflect current global economic realitieslxxxiv, contributed to Beijing’s decision to create alternative institutions, including the Asian Investment Infrastructure Bank and the New [BRICS] Development Bank, to serve its purposes.

III PAPERS BY THE RESEARCH INSTITUTIONS
The approach taken throughout this series has been to eschew generalized recommendations for the international community in each area of the Global Agenda, and instead to ask leading institutions in key polities with different cultural perspectives and geopolitical interests, to discuss the topic from the perspective of their own societies. As the topic in 2016 is Reconceptualising transnational governance: Making global institutions fit for purpose, one institution from each of the United States of America, the Russian Federation, the Peoples Republic of China, the Republic of India and Brazil was asked to discuss its society’s approach to the challenge of developing institutions of global governance or other instruments of collective action at appropriate scales, that are fit for purpose in the second decade of the 21st century. An extensive summary of the five papers follows, and each paper is also available, as submitted, on the website of the FutureWorld Foundation.

a. The United States
In his paper, Reconceptualizing Transnational Governance: The U.S. Perspective, Erik Voeten, Peter F. Krogh Professor of Geopolitics and Justice in World Affairs at Georgetown University, argues that while U.S. leadership is needed to reconceptualize global multilateral institutional cooperation, this leadership has been lacking since the Cold War. He suggests three related political reasons for this. First, despite its victory in the Cold War the U.S. has become isolated in international organizations. Second, the global institutional landscape no longer favours the U.S. Third, U.S. domestic politics hampers delegation of new authority to supranational institutions. He suggests three ways for the U.S. to address this: First, by engaging to repurpose the institutions it helped establish after World War II. Second, by influencing global rules through informal clubs, formal plurilateral institutions and extraterritorial jurisdiction. Third, by leading inclusive multilateral initiatives without treaty commitments or significant delegation of sovereign authority. His paper explores promises and pitfalls in implementing these approaches.

He argues that the need to address global warming, financial crises, health epidemics, refugee flows, arms control, and water requires more effective coordinated action, but points out that
sharply differing views on what to coordinate, and how to share the burdens of producing public goods, can only be resolved by powerful state actors.

The U.S. played a determinant role in creating the present institutional structure after World War II. Most major global International Governmental Organizations (IGOs) are created in the aftermath of major wars, when power asymmetries are stark and the victors have a pronounced interest in shaping a future institutional order.\textsuperscript{\textit{lxxxvi}}

Many argued that the end of the Cold War in 1991 presented a new opportunity for the U.S. to lead multilateral cooperation, given its unparalleled material and ideological advantages. Yet, with the exception of helping shape the World Trade Organisation, the U.S. has played no significant role. Instead, Washington remained on the margins as other states created new institutions, including the Kyoto Protocol, the International Criminal Court, and the UN Law of the Sea Convention. Recently the U.S. Senate refused to ratify the Disabilities Convention, a treaty modeled after U.S. law.

Three related developments account for the U.S. failure to lead institutionalized international cooperation. First, despite its ideological victory in the Cold War, the U.S. has become isolated in international institutions, exposed as an ideological outlier within the coalition of Western countries that have dominated traditional global institutions.

Second, the landscape of international institutions no longer reflects US interests. During the Cold War, the Bretton Wood institutions were global in aspiration but comprised capitalist states who were U.S. allies. Little ideological conflict was present in most international institutions outside of the core UN bodies. Today the main global institutions comprise states that are ideologically diverse. Ideological distance from the U.S. correlated strongly and negatively with membership in international organizations in 1985, but by 2010 ideological adversaries of the U.S. were just as likely to be institutional members as were Washington’s ideological allies.

Third, U.S. domestic politics is now hostile to ratification of multilateral treaties. Even modest proposals that advance U.S. national interests fail in the Senate if they involve the delegation of authority to international institutions.

The U.S. still advances multilateral solutions to new challenges in three ways. First, it is comfortable with the core global organizations that provide institutional advantages that favour it. The U.S. has acted to repurpose those institutions for new challenges, within certain limits. Second, the U.S. has adopted exclusionary approaches, including plurilateral initiatives like the Transpacific Partnership (TPP), clubs like the Basel Committee, and application of extraterritorial jurisdiction, as in the Foreign Corrupt Practices Act. Third, the U.S. has promoted informal global agreements like the Paris Agreement on climate change, that involve little delegation to supranational bureaucracies and few legal obligations. The can help coordinate state responses to collective problems but are not effective in producing global public goods at larger scales.

Professor Voeten then explores the three trends discouraging U.S. multilateral leadership:
i. The U.S. is more isolated in international organisations

Immediately after World War II the U.S. pursued its national interests through international organizations like other Western powers. But the U.S. has gradually become an outlier, as figures 1 and 2 show. Figure 1 plots the ideal points of Security Council’s 5 permanent members and 5 other key states based on their historical voting records in the United Nations General Assembly. Figure 2 contrasts the United States with averages in the world’s main region.

Figure 1 Major Country Positions in the UN General Assembly 1946-2014

The main dimension of contestation in many of the 100 or so contested votes each year is fairly stable. During the Cold War, it was the conflict between the communist East and the West. Since the end of the Cold War, the non-Western side consists of states that have little in common other than their opposition to Western liberalism (e.g. Iran, North Korea, and Sudan).

Figure 2 U.S. and regional Positions in the UNGA: 1946-2014
The graphs show both change and stability and two changes matter especially. First, the Soviet-bloc states (and their successors) abruptly changed their voting behavior in the late 1980s and early 1990s. The most important states that now oppose the U.S. are not nearly as far removed from the U.S., ideologically, as the U.S.S.R. and its allies were during the Cold War. In that sense, the ideological landscape has improved for the U.S.

Second, during the first few decades post-World War II, the U.S. was firmly in the middle of Western powers. Yet, since the 1960s the U.S. has slowly become an outlier. No state other than Israel has voting patterns very close to those of the U.S.

The demise of colonialism removed an issue on which the U.S. was closer to the rest of the world than most Western European states. The U.S. has also become more isolated on the Middle East and other recurring issues. In the early 1990s, the U.S. could count on most of its Western allies to at least abstain on the annual resolution condemning the U.S. boycott of Cuba. Since the 2000s only Israel and occasionally Micronesia and Nauru supported the U.S.

Domestic partisan politics is not the main driving force. Although the U.S. moved somewhat closer to the rest of the world in the Obama Administration, the difference with the Bush Administration is modest. The big gap between the U.S. and the rest of the world is stable across Republican and Democrat Administrations.

The U.S. outlier status has procedural and substantive components.

First, the U.S. opposes efforts to delegate authority to international institutions even when it agrees with their substance. This appears from decisions not to ratify treaties that include meaningful delegation. In the 1990s and 2000s aspects of international relations were judicialized by creating courts or semi-judicial bodies to resolve disputes. The U.S. joined none other than the WTO, including human rights treaties with semi-judicial enforcement mechanisms, the International Criminal Court, and the Law of the Sea with its associated tribunal. The U.S. agrees substantively with many of the human rights, criminal law, and law of the sea norms in these instruments; accepts many as customary international law; and has incorporated many into its domestic law. The U.S. was the main driving force behind the criminal tribunals for the former Yugoslavia and Rwanda, but it objects to an independent international court that would have jurisdiction over U.S. persons.\footnote{There is a realist rationale for this: Ceding authority to independent supranational institutions is less appealing to a great power with options to achieve aims without institutionalised cooperation. Every country is concerned about the costs of delegation, but the U.S., with its broader options, is less inclined than most, to delegate.}

Second, the U.S. has substantive differences with other countries, some, like policy towards Israel, are ideological. The U.S. also has a different approach to economic regulation, which has led to clashes with European allies, also over the protection of privacy. Others stem from the U.S. perception of its unique position of dominance. On arms control, the U.S. focuses on non-proliferation, but less on limits constraining use of weapons to which it has asymmetrical access.
More broadly, despite lip-service to liberal internationalism, there is continuing controversy over what it entails. There is contestation over the proper role of international organisations vis-à-vis human rights, election monitoring, democracy, corruption, and other aspects of governance. There is disagreement how trade and investment ought to be regulated and how intrusive regulation of non-trade barriers should be. The nominal ideological victory of liberalism has not brought an end to ideological contestation.

ii. The institutional Landscape is no Longer Dominated by U.S. Allies
The U.S. played a crucial role in creating global institutions after World War II and throughout the Cold War.\textsuperscript{xci} Institutional rules, norms, principles, and membership reflect this dominance. Later in the Cold War, when the U.S. was already no longer able to enforce its foreign policy preferences, most international institutions were still dominated by states reasonably sympathetic to U.S. interests. As Figures 3 and 4 show, however, this is no longer so. In 1985 there was a strong negative relationship between the ideological distance from the U.S. (measured by UN voting patterns) and the number of Inter-Governmental Organizations (IGOs) a country had joined.\textsuperscript{xcii} Communist countries initially joined UN-related institutions but not institutions with an explicitly liberal agenda. They did not create many formal institutions of their own. During the Cold War, international institutions for the most part constituted a club amenable to U.S. interests.

This has changed since the end of the Cold War. Figure 4 shows that by 2010 there is no longer a significant correlation between ideological distance from the United States and the number of IGOs a state joins. An ideological adversary of the U.S. is just as likely to become a member of many IGOs as an ideological ally.
To some degree this reflects liberalism’s ideological victory. The global ideological gap is less severe than at the height of the Cold War. Large groups of states do not seek to exclude themselves. China, Brazil, India and other rising states do not opt out of global institutions, but seek a bigger say in them. Even Iran would like to become a WTO member. North Korea is perhaps the only state that explicitly excludes itself.

This has led to greater heterogeneity in global institutions. The U.S. has a more difficult time shaping the policies of the WTO, IMF, and World Bank. States press for institutional reforms to change voting weights, and create new institutions to rival those that exist, as the creation of the Asian Infrastructure Investment Bank shows. In other organizations, notably the WTO, the need for consensus produce stalemate. It is harder to get agreement in institutions with more states with diverse preferences. From a U.S. perspective: it more difficult to cause these institutions to do what the U.S. would prefer. The exception to this is those institutions that the U.S. created after World War II which still have institutional structures that favour the U.S.

The second trend is that the U.S. is not a member of many new IGOs. Figure 5 shows that, in 1950, the U.S. was a member of almost all existing IGOs, other than a few regional ones. Between 1970 and 1990, the rest of the world created more IGOs but the U.S. membership line is flat. The gap between the number of IGOs of which the U.S. is, and is not, a member has never been larger.
Figure 5: Creation of Inter-Governmental Organizations with and without the U.S.

Treaties that do not create formal IGOs, show a similar trend. In addition to human rights agreements, the U.S. has refused to ratify legal agreements on climate change (e.g. the Kyoto Protocol), arms control (e.g. the Nuclear Test Ban Treaty), and the Law of the Sea Convention, although most other Western states acceded. These are not institutional efforts by others to balance the U.S. The U.S. can join most, and many advance norms that the U.S. favours. Many constrain other states, rather than enabling them to form coalitions against the U.S. It is simply that the U.S. is unwilling to accept these constraints.

The end of the Cold War changed the incentive structure in institutional politics. Previously states had to evaluate whether an action was in their national interests and how that action affected the global balance of ideological power. After the Cold War, states became freer to pursue their national interests. Excluding or alienating the U.S. today has no immediate security consequences, especially for Western states. The International Criminal Court could not have existed during the Cold War, as U.S. objections would have dissuaded other Western states.

Today, the U.S. has to find new existential threats that create common interests (for example, international terrorism), propose policy choices that are intrinsically attractive, or employ costly coercive methods to get its way. So the end of the Cold War has not offered a unique opportunity to the U.S. to reshape the institutional architecture to its liking. The U.S. is the world’s only remaining superpower, but there is less reason for other states to support it than there was after World War II.

iii. U.S. Domestic Politics inhibits ratification

One response to these two trends would be for the U.S. to join more institutions and create more institutional initiatives. This would make for good international politics. Independent international judiciaries or bureaucracies would do some things that go against U.S. national interests, but their
abilities to coerce the world’s greatest power would be modest. Small inconveniences may be an acceptable price for maintaining institutional influence and advancing norms and principles that are in the U.S. national interest.

Yet, this course of action is opposed by strong domestic political forces. It has become impossible to ratify important multilateral treaties in the U.S. Senate. President Obama has submitted fewer treaties, and had fewer treaties ratified, than any U.S. President since World War II.\textsuperscript{xcvi} Instead, he has relied on executive action for institutionalized cooperation.

There are two related reasons for this. The first is political polarization. Treaties require a two-thirds majority in the Senate. This is hard to achieve when a vocal minority opposes anything resembling a transfer of sovereignty. The U.S. military and business groups strongly support ratification of the Law of the Sea Convention, but 34 senators signed a letter authored by Jim DeMint of the Heritage Foundation that said: “ [...] we are particularly concerned that United States sovereignty could be subjugated in many areas to a supranational government that is chartered by the United Nations under the 1982 Convention.”\textsuperscript{xcviii}

These senators also voted down the UN Convention on the Rights of Persons with Disabilities. DeMint again led the opposition arguing that this issue should be addressed “in a format that does not endanger the sovereignty of the United States.”\textsuperscript{xcix} The Convention merely grants a UN committee a non-binding advisory role, but even the semblance of UN interference with U.S. domestic affairs garners significant opposition.

Second, ratifying treaties is hard work.\textsuperscript{ci} Enabling the Senate to “agree and consent” takes legislative time and political capital that could be used for other, perhaps more politically advantageous, legislation. This theory of opportunity cost yields interesting and counterintuitive hypotheses. Presidents may be less inclined to advance treaties when their approval ratings are high and when their party controls the Senate, because that is when they can pass valuable legislation on domestic issues. Kelley and Pevehouse find strong support for these patterns in their analysis of data from 1967-2008.\textsuperscript{cii}

Meanwhile, international political changes have made it harder for the U.S. to negotiate institutional outcomes that grant it privileged positions. Ratifying multilateral treaties domestically requires political capital needed for domestic political projects. So there is little incentive for a U.S. President to invest it creating new multilateral institutions, even if he is ideologically predisposed to such initiatives. The recent surge of populism and anti-globalism in the U.S (and elsewhere) magnifies these difficulties.

The Future of U.S. Multilateral Leadership

The prospects for extensive multilateral treaty initiatives are bleak, but the U.S. has not lost all interest in multilateralism. The U.S. can provide leadership in multilateral efforts to tackle global challenges in three ways: By repurposing existing institutions; through exclusionary initiatives with like-minded states; and by supporting inclusive multilateralism outside of formal treaty arrangements.
i. Repurposing Existing Institutions

The U.S. is still reasonably comfortable with the institutions it helped create after World War II. The U.S. has a veto in the UN Security Council and an effective veto in the World Bank and IMF. It appoints the World Bank President while the IMF top job goes to a European ally. Although recent adjustments have curtailed U.S. influence these institutions are still very responsive to U.S. interests. While the WTO’s dispute settlement arrangement varies from that of the GATT, and results in rulings against the U.S., it is still widely seen as advancing U.S. interests.

There are functional and political limitations to the extent to which institutions can be repurposed to confront new challenges. Functionally, institutions designed to tackle one problem may not be equipped to deal with issues not envisaged in their founding treaties. Politically, other states may not support U.S. efforts to maintain its institutional dominance. In practice, repurposing works well in some cases, and other states are sometimes willing to accommodate U.S. interests, but there are limits to both.

The Bretton Woods Institutions

The World Bank has been repurposed many times in response to changes in the interests of its principals, notably the United States. It was created to revitalize the economies of Western Europe, then became primarily devoted to financing large infrastructure projects in Africa, Asia, and Latin America; while its current mission includes judicial reform, post-conflict reconciliation, and environmental policy. Other states have responded by creating about two dozen regional development banks with their own agendas shaped by regional principals. The Asian Infrastructure Investment Bank is the latest iteration. One of its primary appeals is a return to infrastructure lending without the governance, environmental, and human rights requirements that have become so prominent in World Bank lending. This competition has prompted institutional change at the World Bank.

Whether the tools of development banks, primarily project financing, are good ways to tackle domestic institutional reform, is another issue. This is a functional limitation of repurposing, risking outcomes in which hammers designed for one type of problem are used to address problems for which screwdrivers would have served better.

The IMF also has a long history of repurposing. Its original purpose was to maintain fixed exchange rate regimes, but these became obsolete after 1971 in a floating exchange rate environment. The IMF has found new purposes, having developed an expanded surveillance and advisory role, and become a lender of last resort, often attaching conditions to its loans influenced by U.S. foreign policy priorities.

The IMF has faced little competition from other IGOs. It is much harder to create an effective alternative to a lender of last resort than to a development lender, although there have been some small-scale regional efforts. The IMF is dominated by the U.S. and changes in voting procedures have been resisted. The U.S. jealously guards its pre-eminence in the IMF. Meanwhile, in large scale loans the IMF coordinates with other institutions, such as those of Japan and the EU, so it does not have a monopoly in bailout loans, or their conditions.
The potential for repurposing the IMF is limited both functionally and politically. Moreover, given U.S. pre-eminence other powerful states are sometimes reluctant to assign more responsibility to the IMF.

The Security Council
The UN Security Council has failed to provide collective responses to important crises, with Syria as the most recent example. The Council cannot act when one of the five permanent members objects; thus producing a stalemate whenever one of the world’s great powers is involved in a crisis. Some argue that unipolarity has made the Council ineffective.

But there is misplaced nostalgia for earlier times in this. The UNSC was mostly irrelevant after 1950, during the Cold War. Only in the post-Cold War era has the Council used Chapter VII powers regularly. The expectation that the UNSC can solve complex security problems swiftly and efficiently is not realistic. It is no more than an arena in which the world’s major powers meet under institutional rules. The Council can’t work when those powers do not agree on an outcome.

There is no viable alternative to the UNSC. This fact, and the nature of the rules for Charter reform, lead to limited prospects for change. Many countries want a permanent seat but no coordinated proposal for a new configuration has emerged. Moreover, major states that seek reform have been unwilling to threaten to withdraw support unless change is effected. This has constrained reform, and an uncertain reward of UNSC membership is likely not worth the risk of brinkmanship.

Weak institutional reform has not prevented repurposing in peacekeeping, for which the UN Charter makes no provision. In the Cold War, peacekeeping involved inserting small neutral forces between warring parties. Since then peacekeeping and peace-making have become extensive multi-dimensional operations, a considerable advantage, as peacekeeping seems to improve the likelihood of lasting peace after a civil war.

The U.S. also led UNSC repurposing in the provision of post-conflict justice, by pressing in the UNSC for criminal tribunals for the former Yugoslavia and Rwanda, despite questionable legal foundations in the UN Charter. As it was argued that non-permanent, conflict-specific tribunals created by the UNSC would not have a strong deterrent effect, and would be subject to political considerations, the International Criminal Court emerged under the Rome Statute to address the need for a secure institutional framework.

Terrorism provides another illustration of the potential and the limits of U.S.-led UNSC repurposing. UNSC Resolution 1373 established the Council’s Counter Terrorism Committee. It includes legally binding measures affecting national immigration policies, and creates a blacklist of suspected terrorists whose access to banking systems across the globe is revoked. This resolution is a semi-legislative act with uncertain legal foundations in the UN Charter as it imposes legally binding obligations on member states with no representation on the UNSC. The resolution has been challenged in the Court of Justice of the European Union (CJEU). In the Kadi judgment, the CJEU found that the EU’s implementation of the resolution violated the rights of EU citizens because there was no effective judicial review of Security Council decisions to freeze bank accounts. The court pointed out that it did not, and could not, overturn a Security Council resolution, but the Security Council had...
to amend its practice by providing remedies to persons claiming their inclusion was in error. This shows how difficult it is to repurpose the Council for tasks that require global legislation or a global treaty.

While the UNSC’s can be repurposed for some issues, notably peacekeeping, its tools are inappropriate for others. In the case of cybersecurity, the principal UNSC members have diametrically opposed views. This issue is this more likely to be addressed through informal networks.

The World Trade Organization

The WTO’s institutional structure does not enable easy repurposing. Changes to its Articles of Agreement require consensus. This appeared possible early on: The TRIPS agreement expanded the WTO into the area of intellectual property rights, but this led to opposition, especially from developing countries. The Doha Round has been stuck for a decade and a half.

While repurposing the WTO by amending the Articles of Agreement, is unlikely, informal routes may offer promise, notably interpretations by the appellate body of the WTO’s Dispute Settlement Understanding. The U.S. has lobbied vigorously and has used its influence in appointments to prevent appellate panellists from applying broader legal principles than those expressed in the Articles of Agreement, but has also filed notices of dispute in areas not foreseen by the Articles, but to which traditional trade law applies. Disputes with China over e-commerce are an example, although there are areas in which WTO law fits poorly with e-commerce disputes.

ii. Exclusionary Multilateralism

A second approach that the U.S. could adopt is to shape global rules and norms by acting with smaller coalitions of states, or unilaterally. The U.S. often acts with “coalitions of the willing” - groups of states that cooperate on specific issues – as it did in the war in Iraq in 2003. These are ad hoc arrangements, not mechanisms of institutional cooperation, although NATO has played a role in creating such coalitions. Moreover, unilateral or coalition efforts of this sort do not seek to influence global norms. But there are examples where rules applied in small clubs, or rules applied by the U.S. exterritorially, can shape global rules and norms.

One approach is the proposed Trans-Pacific Partnership (TPP), a trade treaty between many Pacific nations (broadly conceived) that tackles issues on which the WTO has not made progress. It creates a new dispute settlement system, also for investment disputes, and thus regulates labour and investment rules. U.S. President Barack Obama made the case for the TTP as follows:

“When more than 95 percent of our potential customers live outside our borders, we can’t let countries like China write the rules of the global economy. We should write those rules, opening new markets to American products while setting high standards for protecting workers and preserving our environment.”

The TPP’s purpose is to get better market access for U.S. exporters, on terms that favour U.S. ideology over that of China, a rival state. This is why the U.S. partners with like-minded states (e.g. Canada) and states that depend greatly on access to the U.S. market (e.g. Vietnam). If the TPP is successful others may be willing to adhere to the TPP’s rules. This could shift global trade rules.
More informal clubs like the Basel Committee on Banking Supervision offer other alternatives. The U.S. uses its financial market power to write rules for the global banking industry with a few other states. The Basel Committee’s recommendations are enforced through national (or EU) authorities. Since essentially all banks that operate internationally require access to just four or five main financial centres, a small club of governments can set regulations for all states.

These approaches succeed when market size is a sufficiently powerful instrument. In many areas the U.S. worries that plurilateral initiatives may undermine global institutions like the World Bank and the IMF. Further NATO expansion is perceived as risky. The U.S. has not developed formal plurilateral security initiatives with other parts of the world, although informal clubs like the G20 play an ever greater role.

Moreover economists have long worried that regional arrangements like the TPP create blocs with special privileges and undermine global free trade. If the TPP works well, its members should start trading more with each other, perhaps at the expense of China or other non-member states. Although trade is not necessarily a zero-sum game, and trade diversion does result from all Preferential Trade Agreements (PTAs), preferential tariffs do discriminate against non-members. Convergence in the standards and rules among TPP members widens the gap with outsiders. Differential rules and tariffs may, for example, lead factories to locate in Vietnam rather than China if they seek U.S. market access. Anti-dumping actions become less likely among PTA members, while the creation of a PTA increases anti-dumping scrutiny for non-members.

There could be security consequences as well. For example, Peterson shows that export losses due to exclusion from PTAs correlate with an increased probability of militarized disputes within dyads. Finally, national enforcement of transnational activities is often perceived as unilateral. The U.S. has been quite active in exerting extraterritorial jurisdiction, enforcing U.S. law on transactions abroad. For example, fines in the hundreds of millions of dollars have been levied against non U.S. firms for bribing foreign government officials outside of the U.S., because the Security and Exchange Commission secures jurisdiction when a firm trades stocks in New York. This can be seen as an attempt to impose U.S. anti-corruption laws on the rest of the world.

In short, plurilateral initiatives and the use of national jurisdiction can in some cases effectively use U.S. market power to spread rules and norms around the world. This confrontational approach also has downsides.

iii. Inclusive Multilateralism without Treaties or Formal Delegation

A more inclusive approach is to seek global agreements that define common principles but do not impose extensive international legal obligations, or an intrusive supranational bureaucracy. Examples are the Millennium Development Goals (MDGs) and its successor the Sustainable Development Goals (SDGs) as well as the Paris Agreement on Climate Change.

Such agreements can coordinate policies of member states and IGOs. The MDGs affected donor funding priorities (also those of the World Bank) and recipient country spending priorities. But when the goals were renegotiated as SDGs in 2015, all states wanted their preferred indicators
included, or non-preferred indicators excluded. For example, the U.S. fought to include indicators on
corruption, governance, and women’s rights to shape the future development agenda.

These agreements cannot ensure member state compliance. The SDGs do not create international
legal obligations or material penalties for non-compliance. By making the goals measurable, however,
the aim is that accountability will induce compliance by member states, although there is no
institutional machinery to ensure this.

Similarly, the Paris Agreement is important in that all major polluters, including China and the United
States, have agreed on a common approach. But there is no legal or enforcement machinery.
Implementation is at the national level, although the agreement is embedded in the United Nations
Framework Convention on Climate Change (UNFCCC).

In this sense, both the SDGs and the Paris Agreement build on the existing institutional infrastructure
and are a form of repurposing. But they do not use the legally binding aspects of existing institutions,
nor create new international bureaucracies or judiciaries with oversight, dispute settlement and
enforcement roles. One should not overestimate the importance of enforcement when states can sign
on to, or opt out of, legal commitments. The Kyoto Agreement contributed little to reducing global
warming as states opted in and out as they saw fit, leading to a major public goods problem being
attacked with an inadequate institutional framework. The construction of the Paris Agreement was a
response to this, with China raising similar objections. It would have made little sense to have an
agreement that did not include the U.S. and China, the world’s largest polluters, so domestic
resistance in those countries to supranational initiatives shapes the global agenda.

Conclusion
Professor Voeten has identified three trends that make it unlikely that the U.S. will help create new
formal multilateral institutions with independent authority, or join those to which it is not a party. He
pointed to three ways that the U.S. seeks to shape global rules and norms to address new challenges:
by repurposing existing institutions, creating exclusionary initiatives, or inclusive but soft multilateral
initiatives. Each have their promises and pitfalls

Repurposing existing institutions can be useful. One should not be overly dismissive of the current
system. One can argue that it handled the financial crisis reasonably, that peacekeeping and other
institutional activities have reduced the impact of war, and that poverty and life expectancy have
risen in part due to the stabilizing influence of the WTO, which allowed especially China and India to
grow economically and improve the lives of hundreds of millions of people. Even if these institutions
have not been able to meet some challenges, it would be imprudent to dismiss them altogether.

We should also not exaggerate how effective these institutions have been. With few exceptions, such
as the WHO-led eradication of small-pox, and some peacekeeping operations, IGOs were rarely able
to take major steps to solve big problems. More often their role is to create structural conditions under
which more stable and productive interactions are possible between states. The WTO is a good
example. It transforms relations between the U.S. and China by subjecting renewal of MFN status and
contentious trade disputes to institutional rules.
The U.S. will continue to favour institutions in which it has power advantages. These structural advantages are most pronounced where it is harder to create effective alternatives. For example, it is relatively easy to create a multilateral development bank that can rival the World Bank, but harder to create competition for the IMF or Security Council.

The U.S. must also realize that without veto rights or similar structural advantages, some of these institutions provide real benefits. The UN Convention on the Law of the Sea (UNCLOS) is the most important example. U.S. recognition of parts of UNCLOS as customary international law is not a substitute for active commitment and engagement by the U.S. in the system. UNCLOS can potentially structure contentious interactions between states in positive ways, and it will be harder to do so without the U.S.

Exclusionary initiatives are an attractive substitute for the U.S. where it has sufficient market power to set global rules alone, or with a few other states. U.S. financial market power and the application of extraterritorial jurisdiction can be effective, but this approach is limited to policy areas where U.S. market power is sufficient. If several actors apply these tactics, moreover, the outcome could be less beneficial to the U.S. and the world. The creation of the TPP could create competing trade blocs that undermine global trade.

European courts have started to issue judgments that affect interstate relations. Recently the CJEU found that a major agreement between the EU and the United States on internet governance, the Safe Harbor agreement, violates the privacy rights of European citizens. The court expressed concern that data stored on U.S. servers could be subject to National Security Agency scrutiny, without the judicial oversight guaranteed by the EU’s Fundamental Charter. The commercial implications are enormous, given that the business models of many U.S. firms depend on being able to transport data across borders. The U.S. is unhappy about the CJEU’s ruling, but other actors have been similarly frustrated by judgments of U.S. courts. The consequences of increasing the role of courts in foreign policy should be thought through carefully.

E-commerce and cybersecurity are likely to be subjected to a patchwork of institutional approaches. There is no prospect of a multilateral treaty-based approach. Existing institutions have attempted to regulate some aspects but their tools are limited. Hence we see plurilateral initiatives, clubs, and national courts and regulators trying to exert influence across borders. Moreover there are attempts to reach soft inclusive multilateral agreements that can help coordinate state policies amidst considerable discord.

These multi-faceted approaches will be commonplace in addressing new challenges, but diverse, poorly coordinated efforts to create rules or shape norms may weaken one another. On the other hand, less centralised approaches have merit. The history of centralized global efforts to tackle major problems is not encouraging.

b. The Russian Federation
In their paper, Dr Sergei Kulik, and Dr Igor Yurgens note that international developments that displease the Russian government have led to a growing body of policy outputs stressing Russia’s discontent with the current world order. Even in better times, the government often expressed dissatisfaction...
with the weaknesses of the global security system. These expressions influence Russian foreign relations experts in their research priorities, and in the recent past these have chiefly influenced research on military policy and violent conflict.

The emphasis on geopolitical analysis is growing stronger, displacing discussion of global economic forces and other means of projecting “soft” power, and invites enquiry into the adequacy of the Kremlin’s understanding of the dynamics of the increasingly complex world order. Without such an understanding, the authors argue, Moscow cannot either promote the reform of global governance, or create a realistic programme for Russia’s development. The need for a deeper understanding was raised in recent work on the creation of a socio-economic development strategy for Russia to 2030.

A decade ago, Natalia Shveikina commented on the domestic debate about global governance.

“For Russian political science, the concept of ‘global governance’ is a puzzle, partly because it is difficult to translate, and therefore it suffers from ambiguous interpretations. Until recently, political scientists in Russia carried out hardly any research on this subject.”

After reviewing the limited published literature, she concluded:

“...in Russia, an independent approach to the definition and understanding of global governance has been developed, quite different to that advanced by Western academic researchers. Russian political scientists have failed to understand the complex meaning of the English word ‘governance’ and its difference from the word ‘government’. As a result they make a methodological mistake and treat ‘global governance’ as a hierarchical system that is controlled from above, or from outside the system. In fact, Russian studies on the subject have no theoretical basis. Most research is based on a practical analysis of institutions involved in some aspect of global governance.”

Little has changed since then. Russian academics’ understanding of the concept is still flawed, with the focus still on hierarchical systems. Most research is on specific organisations – primarily the UN and the international financial and economic organisations – though also on other groupings like the G20 and the BRICS. Questions about desirable changes to hierarchy, if discussed at all, are made timidly and in vague terms.

In 2014, the Valdai Club published a report entitled “Global problems for global governance”, stating: “Global Governance is an outgrowth of the UN system with its numerous affiliated bodies and other international organizations that serves to advance public benefit – from environmental protection to human rights – to independent national states across the globe. ...global governance does not imply a top-down hierarchy, based on agreement(s), but is a microcosm of arrangements aimed at building peace, stability and development through legitimate control or regulation of issues of international concern, such as the nuclear non-proliferation regime or accountability for international crimes – in essence, a ‘continuing process.’”

But even this vision is narrower and less precise that comparable foreign approaches. In addition to the emphasis on the UN as the key (and sometimes the only) institution of governance, the report touches on the need for “new models” of cooperation based on “the principles of global governance”, in the light of growing regional integration and the emergence of “non-State bodies”, especially
criminal and terrorist groups. Other NGOs are either ignored or mentioned only in passing, not surprisingly, as independent NGOs have a very low profile in Russia.

The few references to non-State actors are largely critical. Thus, “...the era of transnational corporations and social networks challenges both the traditional Russian approach to international relations as a world of professional diplomacy, and Russia’s ability to influence and manage the global environment.” From this follows the conclusion that the influence of non-state actors must be restrained by strengthening the role of states.

The theme of “global governance” engenders mistrust in some analytical circles. On the one hand, the concept is associated with the idea of “world government”; on the other, since it is a Western concept, authors suggest that it should be treated with caution.

In general, most studies, like that of the Valdai Club, list and analyse global problems, rather than discussing the challenges of developing mechanisms and processes for global governance. This creates a dilemma: if the aim is to strengthen the role of the UN as a body of states, how should the need for reform of the organisation be discussed? What would constitute a programme of action to improve its performance? Indeed, even a list of the UN’s deficiencies is rarely seen, and the few calls for change do not lead to action, even in this crucial area for Russia’s interests. Despite these weaknesses, this theme dominates discussion of the need to transform the world order.

A shift in emphasis is even more urgent because of the difficulty experienced in building organisations – the BRICS to the fore – to serve as counterweights to those dominated by Western interest. Without careful analysis it is impossible to move towards “...a more coherent system of global governance.”

One must ask what these analysts envisage as an effective system of global governance. The Valdai Club’s authors opine:

“...the global balance of power, a necessary precondition for effective global governance, is neither anarchical, with many strong centres of power or attraction, nor hierarchical, with one power at the top of a pyramid. While a balance of power is more difficult to construct in the absence of two powers with equal political, strategic or economic assets, if all powers, big and small, abide by comprehensive rules of behaviour in established or emerging regional arrangements, order will probably prevail.”

This explains the emphasis, in Russian writings, on regional integration as a means to advance the regionalisation of world politics, from which to construct a politico-military “balance of power”. Meanwhile, however, economic factors are increasing in importance.

The policy framework of the Valdai Club and many other academic organisations reflect the inevitability and desirability of restoring a bipolar model, founded on the United States and China, with Russia in partnership with China to counterbalance the Western axis headed by the United States. This is seen to be necessary for “effective global governance”.

The Valdai Club’s report, “War and Peace in the 21st century”, published in February 2016, is more specific:
“The game is being played without rules…” [but] “…we seem to have movement in the direction of new rules, or at least their framework in the form of a bipolar global structure. The term ‘bipolar’, with its Cold War echoes, is perhaps undesirable, however, and it would be more accurate to speak of two groups of powers following different developmental paths.”

The report does not elaborate on the makeup of these groups but observes that “…the West has shown hostility to the long-term paradigm of an alliance of Russian and Chinese interests.”

A number of other experts have discussed whether a bipolar world, with camps led by the US and China, is already in place, but have not clarified Russia’s place in either of these camps. Such scenarios rarely surface in public debate where “bipolarity” is interpreted using concepts from the erstwhile “Cold War”.

The Valdai Club authors go beyond this, however, advocating a new balance of power in a globalised, interdependent world, quite different to that of the Cold War. They argue that the balance of power between 1945 and 1991 was characterised “…not so much by ideological opposition between two camps, as by a complete lack of interconnection and interdependence between two parts of the world – their physical split…[which] … was unique and unrepeatable.” They argue that growing interdependence, despite greater global competition, offers the possibility of agreement between the two camps.

The authors discern another difference: Relationships within each group are far less hierarchical (“no dictatorships”) than in the Cold War. This assertion contradicts the thesis of several other Russian research organisations that the West, including NATO and the European Union, is dictated to by the United States.

The report argues that “… the countries within each group are free of objective, deep, antagonistic contradictions …” While this is true for the West, if not for its allies, what sort of alignment would characterise a grouping clustered around Russia and China, comprising countries that oppose the West, but have little else in common? Such alignment would be fragile and dependent on the West’s relationships with each.

Understanding China’s potential interests in a strategic partnership with Russia is necessary to evaluate the possibility of a governance system emerging, based on a balance of power of the sort envisaged by the Valdai Club. Moscow, seeking to effect changes in the world order, has strengthened its co-operation with China and weakened its relations with the West, but one must understand Beijing’s view of these intended changes. This relates also to other BRICS countries and state members of the Shanghai Cooperation Organisation.

The Chinese employ a long-term perspective and focus on constant, but gradual, change. Currently, they seek improvement, rather than drastic rearrangement, of the global system, with a view to weakening U.S. dominance.
This perception implies the dominance of the U.S. and China. The Sino-Russian accommodation is not seen either as a partnership of equals, or as a core component of China’s international alliance behaviour. Moscow is unlikely to become Beijing’s key partner, and Russian efforts to restructure the system of global governance radically, are unlikely to be supported by Beijing.

China’s attitude towards the world order has not changed since 2000, and comprises an effort to change the interstate system in accordance with six principles.

First, to strengthen the values of justice, equality, freedom and democracy, and to raise the status of international law and international organisations, especially the United Nations.

Second, to reform the global governance system to solve complex global challenges in economics, health and new security threats.

Third, to protect and promote the interests of developing countries that suffer under unjust and undemocratic international rules.

Fourth, to make “equal sovereignty” a key principle of international law, protecting the right of every state to its territorial integrity and freedom from interference in its internal affairs; and “to choose its own social order and development path.”

Fifth, to extend the principle of state sovereignty to new areas, including cyberspace.

Sixth, to ensure that the global governance system supports the development of open economies and resists protectionism.  

Beijing’s emphasis on the interests of developing economies reflects its intention to lead this group, and is reflected in its call for the introduction of new structures and rules for international finance and economic cooperation. China seeks a multipolar world, criticises Western dominance of the current world order, and presses for more effective participation by emerging economies in international organisations, notably the International Monetary Fund and the World Bank. But China acknowledges the benefits of globalisation for developing countries and seeks to retain these.

Meanwhile, Beijing understands its interdependence with the outside world, the role of non-governmental organisations and the importance of non-traditional security threats. These factors dictate flexibility in China’s approach to national sovereignty.

Beijing’s dualistic approach to international organisations reflects its efforts to reform institutions like the IMF and the G20 that are under Western influence, while creating organisations like the Asian Infrastructure Investment Bank (AIIB) to advance its own strategic interests. This influences Beijing’s interest in the BRICS, as the volume of infrastructure investment channelled through the AIIB reflects less reliance on the New Development Bank.

Moscow’s principles and intentions cannot be described as precisely. Once again, one can turn to the Valdai Club report (2014).

“Russia is currently projecting its vision of new global governance, trying not only to use this to reshape institutions, but also to contribute to their reorientation. Familiar features of Russian decision-making like centralisation, and limited competition of ideas, provide some clarity about what Russia would oppose, but do not disclose a positive perspective of what should constitute a new world order. The absence of a global mission … and an ideological
vacuum within the country, weakens Russia’s global power... Neither government, nor the expert communities in Russia, can produce ambitious and feasible projects for the global agenda. cxl

Russian experts admit that “the West projects a holistic concept of global development and the values that are to be promoted,” while concluding that “the outcome of [Western] efforts is often the contrary of what is intended.” But Russia articulates no alternative concepts, which makes it difficult to evaluate their “effect”. This criticism applies more widely:

"Non-western countries know what they oppose, but they have not yet found one integrated vision of how the system should be structured, although they are striving to construct such a vision.” cxli

Interestingly, Russia’s partners in the BRICS have developed ideas on global governance, both independently and in cooperation with Western counterparts, based on their experience of global trends and risks. This contrasts starkly with their Russian colleagues.

According to Dmitri Trenin,

“Russia has offered no alternative design to what exists today and no comprehensive reform blueprint. It is not the world order as such that Moscow has challenged, but US domination of that order. Thus, Moscow’s claims have been more procedural than substantive. The Russians have wanted a permanent seat at the high table, with de facto or de jure veto power – such as at the UN Security Council. Russia desired to be a part of the rules-making mechanism, not sit at the receiving end, simply taking the rules developed by the US-led international community. Therefore, the UN Security Council has always been the right model for the Russians, while the NATO-Russia Council, in which Russia was confronted by 28 allies bound by alliance solidarity, has disappointed them.” cxlii

This is a reasonable assessment, and needs to be examined in the context of global governance.

First, the view reflects the weakening of the US position, with its allies, in world affairs, and what analysts see as management failures, which must be addressed.

Second, the weakening of the US position should create opportunities for Russia and its partners (and for China), to advance initiatives to improve the governance of the world system. There are longstanding ideas on changes in the structure of the traditional security system, but outside the security realm, there are no specific or comprehensive proposals.

This intellectual vacuum requires us to examine present forms of global governance, and to consider appropriate changes. The opinions of influential Russian organisations like the Valdai Club are relevant. Moscow’s exclusive focus on terrorist and criminal alliances among non-governmental actors is in tension with efforts to involve the business community and non-governmental organisations in foreign policy making, in order to revitalise Russia’s long-term strategy of participating in all international organisations, which the Kremlin has de-emphasised in recent years.

New ideas are also necessary in the security realm, the traditional focal area in Russia’s view of world governance. Criticisms of the doctrine of “responsibility to protect” (R2P), which gives the international community the right to intervene in internal conflicts if the national government is not protecting its population, have been to the fore of the Moscow’s concerns, due especially to Western
actions in the broader Middle East. Proposals for change have, however, been limited to strengthening of the power of the UN Security Council, while other issues have been ignored.

The impact of the global economy on global governance is of little interest to most Russian research organisations. A small amount of research is done in the Primakov Institute for World Economy and International Relations, some departments of the Higher School of Economics, and in the Russian Academy of National Economy and Public Administration. There are also reports by Russian specialists in international consulting firms that address globalisation and its risks.

Unlike China and India, where governmental bodies encourage such research, and do not obstruct foreign “think tanks” from opening representative offices, the Russian government provides no support. Russian research institutions thus adopt a passive posture, producing little significant work and failing to reflect Russia’s importance as a leading country.

Unlike Russia’s non-Western associates, including other BRICS countries, Russia is poorly represented in organisations promoting exchanges between the leading “think tanks” that study globalisation and global governance such as the Council of Councils, the Global Economic Symposium and the Future Generations Foundation. These institutions discuss climate change, sustainable socio-economic growth, means to improve the quality of global institutions and global governance. There is interest in the relationship between large blocs, in means of establishing the norms and values needed for global coexistence while maintaining cultural diversity, and in establishing security at the global, national and personal levels.

The absence of explicit governmental demand promotes passivity amongst Russian experts. If demand emerges, questions remain: At what level should the analysis be conducted? Should it address relations between states, business and society? What are the priorities; should it be short-term and tactical or long-term?

If there is to be greater demand for this research (and in Russia, demand comes from the state), the bodies ordering the research need a proper understanding of trends and challenges. Requests for such insights have been rare in Russia, however, outside areas related to participation in the G20 and, until recently, the G8. These involve few Russian analysts, from a limited number of institutions.

Some lively discussion emerged when Russia was repositioning itself at the end of the 20th century and the early years of the 21st century, and during the presidency of Dmitry Medvedev. Since then, there has been only some limited demand for analysis in areas in which the authorities are interested, managing the internet, for example.

But more serious requests have emerged from the Government for research on global governance in the wake of changes in Russia’s relations with the outside world. Perspectives on the transformation of the world order and on Russia’s place in this changing world are being updated. The global order poses a dilemma for Russia. On the one hand, it could simply adapt to changing times, and increase its participation in institutions seeking joint solutions to global challenges. On the other, it can develop a vision of a future world order that differs from that of most other state actors and pursue that vision vigorously.
While many other actors seek to ensure that changes in the world order are predictable, the argument is heard more often in Russia today that the country’s strength lies in its unpredictability; and that the unpredictability of Russia’s actions would lead to concessions by other countries. This view is reinforced by calls to free foreign policy from external influence. The implication is that Russia should be free to ignore international obligations and inconvenient regulations, which are said to be aimed at weakening Russia’s international role.

A recent article by Associate Professor Andrei Bezrukov of Moscow MGIMO University, warns about the risks of this approach.

“We cannot afford to continue to make strategic mistakes, to waste resources in vain, to be caught by surprise. Our country’s reserve of strength is not large enough to allow us to ignore the waves that we see on the horizon.”

Only by understanding this can Russia choose a wise course between simply accepting the global status quo and swimming alone against the global current. The better option is to develop a considered approach to current and future changes and to work collaboratively within the global community to create appropriate responses to the challenges that have been identified.

c. The People’s Republic of China

The G20, which was established at the turn of the 21st century, and comprises 19 countries and the European Union, with representatives from the Bretton Woods institutions, provides a new way forward for transnational governance that works not only for China, but also for other major economies. In his paper, Professor Wang Wen, Executive Dean of the Chongyang Institute for Financial Studies at Renmin University of China, explores the use of the G20 as an institution of transnational governance that China sees as fit for purpose.

He notes that, in 2009, the G20 described itself as the “premier” forum for international economic cooperation, and that China—the world’s second-largest economy—bore responsibility in 2016, for the first time, for coordinating that process. As China’s growing economic strength translates into political influence, and the Chinese government becomes more confident in taking an active role in global governance, the G20 is the best platform for China to deepen its involvement in the global economy. Likewise, it is important for the rest of the world to understand China’s views on global governance.

Global Governance: China’s View and Practices

China’s emergence as a global economic power is the most significant geoeconomic event of the last two decades. China is a responsible stakeholder in the international system; the incentives for it to challenge the status quo are limited, and it prefers to “grow” into a position of economic rule setter within the system. Since China’s integration into the international system, it has developed an appreciation of the norms created by the West, and while participating actively in international organizations, including the IMF, the World Bank, the World Trade Organization, and the UN, China has largely been a follower, rather than a leader in shaping the conventions of global governance.
Just as China’s economy has shifted from reliance on investment and trade to internal demand in recent years, its views on global governance have changed dramatically. China’s inward focus on domestic stability is being augmented by an emphasis on the country’s emerging role as a regional leader, motivated by the *China Dream* (Zhongguomeng). This is a natural function of China’s growing power across the economic, social, and strategic spheres of the international system.

China is also engaging in global institution-building, by establishing the *Silk Road Fund*, the *BRICS New Development Bank*, and the *Asia Infrastructure Investment Bank (AIIB)* and by promoting, under its 2014 APEC (Asia-Pacific Economic Cooperation) presidency, a *Free Trade Area of the Asia Pacific* to counter the U.S.-backed *Trans-Pacific Partnership*. This reveals China’s willingness to expand its rulemaking influence, by embracing multilateral institutions and elements of the world order built on Western structures, while promoting reform within those institutions to accommodate China’s interests.

China faces a steep learning curve in seeking to integrate new models of global governance into the present policy architecture. China is, however, not a “challenger” or a “trouble maker” in the international system; its initiatives are “not revisionist, but reactive.”

The *BRICS New Development Bank* and the *AIIB* are designed to cooperate with the World Bank and the Asian Development Bank to supplement other international governance regimes, and provide public goods to developing countries. Within these multilateral structures, China relies on bilateral trade agreements to maintain and deepen its relationships with countries in Asia, Europe, Africa, and Latin America. Backed by US$3.21 trillion in currency reserves, China has provided infrastructure investment in exchange for commodities in these regions, becoming the world’s largest source of financing for developing countries.

China recognizes the values of global governance—human rights, democracy (based on economic development and social stability), and the rule of law—promoted by the West. China’s need to bypass the main international financial institutions, is driven by Western states’ refusal to offer China a role commensurate with its growing economic power. The IMF quotas are an example. The G20 agreed in 2010 to increase China’s quota from 3.65 percent to 6.19 percent, a tiny step in the right direction, but the U.S. Congress failed to ratify the agreement, preventing implementation.

China’s active approach to global governance is in the interest of stakeholders, and is enhancing China’s soft power. If emerging powers cannot gain access to governance institutions, they will create their own. The West should adopt an open attitude, welcome China’s involvement in global governance, and cooperate with the institutions that China has created.

China may have a greater need for effective global governance than the West. It is in a geo-strategically dangerous position, less well endowed with natural resources, more vulnerable to the impact of climate change, and economically more dependent on an open international trading system. Global challenges like environmental degradation, climate change, and financial crises affect countries with different political systems and ideologies, necessitating international cooperation and policy coordination, yet global governance—the system of international institutions and rules intended to promote the common good—is hardly adequate at present. Not much is being achieved in the WTO’s
Doha Round, the IMF quota reforms, and the G20’s efforts to coordinate economic and financial policies.

If China, the European Union, the United States, and other major powers were to align their intentions based on common interests, they could leverage the opportunities inherent in the G20. Most Chinese believe the G20 enhances the legitimacy and efficacy of the global governance architecture, and China has an opportunity to provide a measure of leadership through the G20.

G20 Evolution: Global Governance Mechanism

Over 17 years, the G20 has become a major global governance platform, with “four levels and two systems internally and externally”. The four levels are the Leaders Summits, the Sherpa Meetings, the Ministerial and Vice-Ministerial Meetings (of Finance Ministers and Central Bank governors, Employment ministers, Trade ministers, Agriculture ministers, Development ministers and Tourism ministers), and the Expert Working Group Meetings to advance strong, sustainable, and balanced growth, investment and infrastructure, employment, development, sustainable energy, anticorruption, the private sector, financial inclusiveness, and trade.

These four levels constitute the internal system, while various nongovernmental forums related to the G20 provide a peripheral system, comprising the B20 (Business20), T20 (Thinktank20), C20 (Civil Society20), L20 (Labour20), Y20 (Youth20), W20 (Woman20), and I20 (Innovation 20). These forums play important roles in shaping the G20 agenda. The 2014 Brisbane G20 Leaders’ Communiqué acknowledged “strong support from B20, C20, L20, T20 and Y20.”

The G20 created the Financial Stability Board, and encouraged the World Bank to initiate the Global Infrastructure Facility and the Global Infrastructure Investment Fund. It has grown appreciably since the 2008 global financial crisis, migrating from a crisis response mechanism into a governance mechanism, and moving from short-term challenges of financial crisis, economic stimulus, and protectionism, to address long-term issues of economic rebalancing, growth and employment, and reform of the international financial system. It has even started to address security issues.

The G20 enables leaders from most major economies to discuss crises and countermeasures. Drawing its authority from the power of its members, it can provide an efficient decision-making mechanism. G20 members constitute 90 percent of the global economy, 80 percent of global trade, and two-thirds of the global population. This representative character has helped it reach consensus on addressing the global financial crisis, stimulating the global economy, and reversing economic imbalances. In accordance with the G20 resolutions, countries have strengthened financial regulation. Governments and nongovernmental organizations often refer to G20 policies when revising their policies, and make proposals to the G20. The International Chamber of Commerce has set up a G20 Consultant Board and Expert Panel and convenes B20 Summits before G20 Summits. The B20 Expert Panel has developed a G20 Scorecard to track implementation of G20 resolutions.

China’s Approach to the G20:

As the chair of the G20 Summit in 2016, China can influence the G20’s response to global challenges. In the 13th Five-Year Plan beginning in 2016, China’s economy is expected to maintain mid- to high-level growth, and double GDP between 2010 and 2020, maintaining its contribution to healthy global
development. Since 2015, the G20 has implemented a “commitment system”, requiring that China should both facilitate implementation of the action programs agreed at earlier summits, while introducing new initiatives, especially to overcome slow global growth.

China’s economy is integrated into the global system and has stabilized global growth. It can and must continue to contribute to innovative and inclusive development. From 2008 to 2014, China contributed over 30 percent of global economic growth. In the last three years, the figure reached 44 percent. Even with 7 percent growth at present, the annual growth increment is US$800 billion, more than the absolute growth achieved while China’s economy was growing in double-digits before the financial crisis. China’s global integration and its industrial value chains are of far-reaching importance for the mid- to long-term growth of the global economy.

At the 10th G20 Summit on November 15–16, 2015, President Xi Jinping announced the organising theme for the 11th G20 Summit in 2016: “Build an innovative, invigorated, interconnected, and inclusive world economy”, by implementing four steps:

(1) innovate the growth pattern, emphatically advance reforms and innovations, carve out and grasp new opportunities, and improve the growth potential of the world economy;
(2) improve global economic and financial governance, enhance the representation and voice of emerging markets and developing countries, and boost the world economy’s capability to manage risk;
(3) construct an open-ended world economy, promote international trade and investment, and use this to promote growth; and
(4) push forward inclusive and interconnected development, implement the 2030 Agenda for Sustainable Development, eradicate poverty, and realize mutual development.

Each step should be considered carefully.

i. Innovate the Growth Pattern
At present, many traditional problems are unresolved, while many new challenges loom. The interplay between old and new challenges brings new complexities. The turbulence in international financial markets in 2015 suggests that systemic global problems are still unresolved. Meanwhile, a new round of technological innovation and industrial reform is underway. Emerging markets and developing countries are industrializing fast, and the G20 faces globalized risks and a need for new growth momentum.

To address this, we need better global governance, reformed development mechanisms, and a global flow of goods and services. We must strengthen international cooperation to build a mutually-beneficial, global industrial value chain that acknowledges all countries’ comparative advantage, enhances innovation, allows a free flow of resources, and promotes development. The G20 must facilitate new standards of global innovation to forge an inclusive, mutually advantageous pattern of global development, that transforms old growth paradigms, and lead to global economic recovery.

ii. Improve Global Economic and Financial Governance
Seven years have passed since the financial crisis, but global economic growth remains weak. The world economy is still adjusting; quantitative easing can do little more to stimulate growth, and
economic and financial reforms are still a priority. Full participation and joint decision-making between developed and developing countries is the essence of the G20 model, allowing it to promote reform of global economic governance towards justice and fairness, and acknowledge the views of emerging markets and developing countries. The G20 has prompted reform of international financial institutions and strengthened our ability to respond to global crises. The AIIB complements other international financial institutions by emphasizing cooperation and embodying openness and inclusiveness. It will bring new opportunities for the G20.

iii. Construct an Inter-connected, Open and Complementary Global Economy
Better global governance depends on our constructing an open world economy, recognizing that countries are at different phases of development and have different strengths. By constructing an open-ended global economic system and strengthening international cooperation, we can match countries’ needs and offerings, and achieve mutual benefit in countries at different stages of development. Developing countries face demands of urbanization and industrialization, but lack the necessary technology and capability to construct infrastructure. Developed countries must upgrade their infrastructure, but are constrained by capital shortages and high costs.

As a locomotive for developing countries, China can use its advantages in high performance, mid-level equipment, its capabilities in engineering and construction, and foreign currency surpluses, to help developing and developed countries align their respective capacities. Integrating these advantages through tripartite cooperation, can lower costs to meet the needs of different countries and help all break through development bottlenecks, enhance industrial upgrades, and integrate the global industrial value chain. China’s “One Belt and One Road,” for example, differs from earlier free-trade zones, being designed to align the participating countries’ development strategies to realize inclusive and sustainable development, through joint consultation, construction, and sharing. Effective economic globalization can align all countries’ interests in a cooperative system. Only by opposing trade protectionism, strengthening multilateral trade mechanisms, facilitating the development of all countries, building regional free trade arrangements, supporting multilateral development, strengthening cooperation in sharing capacity, and establishing an integrated global value chain, can the world economy realize stable and inclusive development.

iv. Promote Inclusive and Sustainable Development
Each country’s development must be aligned with global growth targets, to enable optimal allocation of global economic resources and achieve the integration of economy, society, and environment through governance. In the aftermath of the financial crisis, the former mode of economic development cannot deliver the economic structural transformation needed for sustainable development. Achieving fair, comprehensive, and innovative development is both a moral responsibility and a requirement for economic advancement.

The UN’s 2030 Agenda for Sustainable Development has set new goals and frameworks. We need to review the development path from a fresh perspective, address the relationship between sustainable development and economic transformation, implement the Sustainable Development Goals, address unequal and unfair paths to economic development, collaborate to address climate change and environmental degradation, enable countries in different positions in the global value chain to play to their advantages, and share opportunities of development. By combining the 2030 Agenda for
Sustainable Development with its own agenda, the G20 can establish a new partnership in global economic governance. By addressing global challenges through integrated macro-level policies, the G20 can promote positive interaction and mutual development between all countries and establish an effective platform for sustainable international development cooperation.

Conclusion
Global economic recovery has progressed slowly since the 2008 financial crisis, in part because the former technological and industrial revolution is coming to an end, and severe development imbalances persist, while existing economic governance mechanisms are not fit for purpose. Despite these challenges, China has maintained a high growth rate and continuously reinforced the real economy. China’s economic growth over almost four decades, and sustainable growth potential today suggest that it has experience that is essential in promoting development. China’s active participation in the G20 enables other members to consider the Chinese approach to robust and sustainable development.

The theme of the 11th G20 Summit in 2016 -- innovation, invigoration, interconnection, and inclusiveness - captures the critical issues of economic governance and points the way to global economic balance and sustainable growth.

Innovation is necessary for vitality and creativity through scientific progress to achieve global economic recovery.
Invigoration speaks to the high-speed economic development needed to rejuvenate the world economy.
Interconnection is necessary for global development: Integrated action will lessen uncertainty, and permit steady economic development to mutual advantage.
Inclusiveness emphasizes that development should benefit all countries and peoples, to unlock huge increments in market demand.

The 2016 G20 Summit links the past and present. If the G20 can provide an example for the world in innovation, invigoration, interconnection, and inclusiveness to create mutually beneficial outcomes, it will boost global economic confidence, stimulate recovery, release development potential, benefit people, and create a new perspective of global governance.

China is willing and able to play a greater role in global governance, and sought to use its G20 presidency in 2016 to strengthen its status as an economic rule-setter and engage internationally. The G20 will continue to be a means for China’s cooperation with other major powers to expand both its own, and the world’s, interests.

d. The Republic of India
In their paper on *India and the Evolving Global Architecture*, Pratap Bhanu Mehta & Srinath Raghavan of the Centre for Policy Research in New Delhi, argue that India’s attitudes toward global governance derive from its internal economic and developmental priorities in a highly diverse, postcolonial, liberal democracy that has experienced great changes as a nation-state. As a founding leader of the non-aligned movement, India engaged actively in global institutions and debates on global governance. Today, with greater political and economic power, it seeks to change representation in international
institutions and experiment with new approaches to global governance, while remaining committed
to the rules of the international order and to the idea of a genuinely multipolar world.

Introduction
India’s greatest contribution to global security and global public goods is the power of its example. If it can sustain a vibrant, pluralistic democracy that delivers a reasonable rate of growth and effective public institutions, it will be a force for global stability. Despite internal democratic contestation and occasional doubts about its state capacity, one can be moderately optimistic on this score. India has enduring characteristics that make it a force for global stability. These characteristics are unlikely to change as its economic significance increases.

India believes in an open, multilateral, and just world order. Indian diplomats have a saying that captures the country’s approach: “The United States believes one superpower should remain preeminent; China believes the world should be divided up between two great powers; Russia believes there should be three great powers; India, however, believes in a genuinely multipolar world.” While this is a function of India’s reality, having converted weakness into principle, it is also more than that. The motivations that lead rising powers to seek hegemony, do not impel India.\textsuperscript{285}

India is a liberal democracy without an evangelizing mission. It is an old civilization with a fierce nationalism that has never depended on creating a hierarchy with India at the apex. India has no functional ideological equivalent of the Chinese doctrine of the “Middle Kingdom” as a means of ordering the world. As its economy grows, India’s material footprint will expand, but it understands that territorial possession or military investment in friendly regimes is not an efficient way of securing material gain. Even in energy, which has often caused conflict, India believes that market mechanisms can deliver more than mercantile imperialism. India’s overseas ventures are chiefly driven by its private sector. Its complex identity—an Asian country whose founding values are rooted in the Enlightenment, a deeply religious, yet pluralistic, society with a tradition of democratic moderation—has led it to avoid polarizing ideologies. Thus India is not seen as a \textit{threatening} power outside its immediate neighbourhood. Even inter-state relations in South Asia are less a problem of international relations, than a battle of internal identities still unfolding after India’s partition.

India has not been a destabilizing force and has been prudent in the use its foreign policy instruments. It has not facilitated illicit nuclear proliferation, supported radical terrorist groups, given succour to extremist ideologies, or advocated reckless regime change. Indian thinkers about world order observe that the country has bound its hands by eschewing instruments of harm, while not getting enough credit for its moderation. It is likely to continue on this path, even as its military capabilities expand.

The last few decades have seen shifts in India’s orientation.

The first is its commitment to a global economy. Since 1991, India’s stake in a stable, multilateral, well-coordinated global economic system has grown. Because market forces drive its economy, India has a great stake in the current economic order, which it sees as largely beneficial. It would like to change representation in international institutions, but it does not seek radical change in the rules of the game.
Second, India has experimented with global governance institutions. While it remains committed to multilateral institutions like the United Nations (and aspires to a permanent Security Council seat), its approach to organizational forms of global governance is pragmatic.

Third, India has moved away from traditional non-alignment. Its earlier policy was shaped by pragmatic necessity and the Cold War principles of non-alignment are no longer applicable. Institutionally, India seeks broad engagement with all powers and would like to anchor a zone of great-power agreement. However, the core principles of non-alignment are still cogent: Securing India’s strategic autonomy; acting as a moderating, not polarizing, force in global conflicts; and being averse to deep formal alliances. Events and need, not ideology, will shape India’s orientation.

Much will depend on how China’s foreign policy evolves. A more aggressive China might push India closer to the United States, but this is no foregone conclusion. Under Prime Minister Narendra Modi, there is more emphasis on aligning India’s foreign policy and development needs, and greater candour about its demands; and there may be—depending on circumstances—a tougher line on Pakistan. But India’s approach to the world will still be characterized by prudence.

State, Development, and Identity

India’s principal strategic ambition is to ensure a stable external environment conducive to its domestic economic and social transformation, which will allow it to play a larger international role. Its strategy comprises two interlinked components.

The first is the quest for a secure periphery, including India’s immediate and extended neighbourhoods.

The second is the attempt to ensure an enabling global context for its internal objectives, and to play a role in the international system commensurate with its growing economic and strategic weight.

India’s engagement with the world did not begin with independence in 1947, although the emergence of independent India marked a break from the past. The new Indian state set itself the task of transforming a society rife with inequalities and cleavages, to improve the life chances of its inhabitants. This encompassed four transformations: Economic transformation of a large, poor, and predominantly agrarian economy; social transformation of a deeply hierarchical and tradition-bound society; democratic transformation of an un-egalitarian polity; and national transformation of a diverse people with an array of religions, ethnicities, and languages. All four transformations were tackled simultaneously, unlike Western states, in which these were staggered over time. Thus India’s external ambitions were yoked to its internal imperatives.

More than six decades later, internal economic and social transformation is still the core objective of the Indian state. This is now expressed as the ambition to maintain annual GDP growth rates of 8 percent or more, which will not only grow the economy and opportunities for citizens, but enhance the state’s ability to provide for those least able to benefit from growth. India’s external aims and its approach to global governance are geared to securing these domestic objectives, although they are influenced by other considerations.

In its quest for transformation, the state has experimented with three developmental models. The first, which lasted from the early 1950s to the mid-1960s, attempted a typical import-substituting
industrialization policy in a mixed economy, resulting in average GDP growth of around 4 percent. During the second phase, from the late 1960s to the late 1970s, there was a lurch to the left, with strong state controls on private enterprise and a slump in GDP growth to an average of 3 percent. From the early 1980s onward, there was a shift toward pro-market policies favouring business, and a rise in average annual GDP growth to 6 percent. 

Until the early 1990s, external trade was a minor component of the Indian economy. External investment was mainly in the form of foreign assistance. This changed dramatically after the economic reforms that began in 1991. India’s embrace of globalization—in trade, investment, and, to a lesser extent, finance—enabled it to achieve growth averaging 8 percent from 2004 and to weather the global financial crisis of 2008. In this period, unprecedented numbers of people emerged from poverty, although the scale of the challenge remains daunting. Since 2011, however, GDP growth rates have fallen.

The experience of two decades of economic reforms and high growth has created a consensus on the need to restore a higher growth trajectory. The outcome of the general election in May 2014 reflects the widespread desire for growth and reform. The party that promised strong leadership with a focus on growth, was given a clear majority—a sharp departure from the coalition governments of the past two decades. The challenge it faces is crafting the right policies, and dealing with political interests that benefit from governmental subsidies for relatively well-off groups.

Prime Minister Modi’s government has both challenges and opportunities.

First, with a young and growing workforce, India is set to achieve a “demographic dividend” if it can create opportunities for employment and strengthen education and skill-development. If not, the dividend could turn into disaster, with serious consequences for stability.

Second, India has the market size, natural endowments, and entrepreneurial drive to make it an economic powerhouse, but this is contingent on continuing structural reforms and links with the global economy to grow the industrial base, increase exports, and attract investment.

Third, while aiming for convergence with more advanced economies, India cannot replicate their resource-intensive growth and will need a sustainable growth strategy. This will require access to the most advanced technology regimes.

On each of these counts, India’s ability to deal with its internal challenges and leverage its opportunities depends on its external engagements. Hence, India’s external strategy is aimed at enabling its internal transformation. The nature and character of India’s development model likewise has an impact on its external engagement.

While India’s development needs are paramount, its identity also shapes its external orientation. India is distinctive in many respects. Its pluralistic identity shapes the norms it promulgates. Its identity and civilization have been shaped by many cross-currents. Despite attempts by some Hindu nationalists, to equate Indian identity with Hindu majoritarianism, the nature of its democracy constrains polarizing ideologies. India is the largest Hindu country, but also the second-largest Muslim country. It is one of the few Muslim countries where almost all sects of Islam—from Shia to Sunni, Ahmadiyya to Wahhabi—coexist. These facts have huge implications for India’s approach to international order.
As much as India is concerned about terrorism, particularly from Pakistan, it is measured in the way it defines the problem. It has avoided rhetoric suggesting a “clash of civilizations” and has stood back from sectarian conflicts in West Asia. It has maintained good relations with all regional powers, including Iran, Saudi Arabia, and Israel. India’s biggest contribution to global order may be its ability to negotiate pluralism at home while exercising restraint vis-à-vis sectarianism abroad.

India is a postcolonial state, perhaps excessively conscious of its distinct national identity. Yet it has remained firmly an Enlightenment power, most of whose constitutional choices have reflected a liberal democratic order. On the one hand, India values democracy as an ideal. On the other, as a developing country, it knows that nation- and state-building are difficult and fragile processes. This makes it more sceptical than Western powers about an ability to promote democracy through military intervention. India is a liberal democratic country, sceptical of the idea that democracy promotion should be a global project.

India is also more than territorial India. The Indian diaspora—until now fragmented and not engaged by government—is an increasingly important player in India’s orientation to the world. This has several implications. India’s elites are now integrated into the structures of power in countries like the United States and the United Kingdom, deepening the relationship between the United States and India, not overcoming all strategic differences, but contributing to India’s Western orientation. Second, the spread of the Indian diaspora, particularly in West Asia, which is the largest source of remittances, makes protecting the interests of the diaspora politically challenging, and reinforcing India’s restraint in addressing global conflicts. It will not risk politically alienating countries with a significant Indian presence.

India’s simultaneous national, democratic, social, and economic transformations and its distinct international positioning as a large, dynamic, yet poor, economy with a complex identity, shape its approach to transnational governance, institutions, and norms, making it on occasion a cautious contributor to the international order, wedded to older norms like sovereignty.

Sovereignty and International Security
India is often portrayed as a “sovereignty hawk”, unwilling to accept that national sovereignty may have to be diluted to uphold other aspects of the transnational order. Although this is attributed to its colonial past and the inability of its elites to move beyond that, the argument is flawed. India was active in shaping new international norms after World War II, including the Universal Declaration of Human Rights. India took an early lead in censuring apartheid in South Africa, and executed one of the few successful humanitarian interventions after 1945, when it intervened to create the state of Bangladesh in 1971. The image of a sovereignty-obsessed India must thus be qualified.

India has resisted the derogation of sovereignty in several cases, ranging from Jammu and Kashmir, where its interests are at stake; to those influencing the evolution of international norms, such as Kosovo and the Responsibility to Protect (R2P). India’s ambivalence flows from two sources.

First, its transition to a nation-state is incomplete: Its approach on issues like Kashmir are a symptom, rather than a cause, of India’s defensiveness about its sovereignty, and reflect this ongoing transition.
Second, India is concerned about great-power exceptionalism on issues of sovereignty and human rights—and, indeed, international security more broadly. The ease with which norms of humanitarian intervention and human rights are bent to advance great-power interests has made India suspicious of invocation of these norms.

Consider India’s stance on R2P. Accepted by all UN member states at the 2005 World Summit, the core of the doctrine is to take “collective international responsibility to protect populations from genocide, war crimes, ethnic cleansing and crimes against humanity.” India’s representatives at the UN have argued that these are wholly unobjectionable aims, being codified in conventions that came into force as early as 1951. But in the aftermath of the crises of Kosovo and Iraq, India sought to ensure that R2P was not treated as a free pass for unilateral external intervention to effect regime change. India thus worked with like-minded countries to introduce qualifying clauses in the Outcome Document at the World Summit, including the stipulation that action to prevent genocide, war crimes, ethnic cleansing, and crimes against humanity would be taken on a “case-by-case basis,” in cooperation with the relevant regional organizations and in conformity with the principles of the UN Charter and international law.

In subsequent debates and discussions, India emphasized the importance of the preventative dimensions (advice and assist) of R2P. On the use of military force when peaceful measures fail, its position has been more sceptical. India’s Permanent Representative to the UN underlined in the General Assembly in 2009 that R2P “…should in no way provide a pretext for humanitarian intervention or unilateral action.” This was not unqualified support for state sovereignty, however; he continued: “Sovereignty has never succeeded in providing a cover against genocide, ethnic cleansing, war crimes and crimes against humanity.”

India’s reservations about R2P do not pertain to the principle, but to the risk of its distortion in the interests of certain powers. India has called for clarity, precision, and transparency in operationalizing the doctrine. The subsequent UN-sanctioned intervention in Libya only reinforced these concerns. Although India abstained on the resolution in the Security Council, it concluded thereafter that R2P had again been used as a fig leaf for regime change.

India’s stance on the International Criminal Court (ICC) also illustrates its concerns. When the Rome Statute for the establishment of the ICC was approved in 1998, India was one of 21 states—including the United States, Russia, and China—that abstained. India’s opposition stemmed from several aspects of the Rome Statute but, at bottom, reflected the same two factors. India also opposed the jurisdiction of the ICC in internal conflicts. In defining such conflicts, the Rome Statute excludes “situations of internal disturbances and tensions, such as riots, isolated and sporadic acts of violence or other acts of a similar nature.” This meant that insurgencies would...
fall within the ICC’s purview. Given the long-running insurgencies in Kashmir and the north-eastern parts of India, New Delhi believed that these provisions could be used to embarrass India and thus adopted a defensive stance.

India’s position on Sri Lanka in the UN Human Rights Council is also relevant. While New Delhi’s position was shaped by domestic political considerations, there was also a measure of principle. In 2012 and 2013, India voted in favour of resolutions urging the Sri Lankan government to act on the recommendation of the committee that had examined allegations of war crimes and crimes against humanity in the civil war, and offered support through the Office of the UN High Commissioner for Human Rights and UN Special Procedures. New Delhi had watched with concern as the Sri Lankan government delayed post-war reconciliation and reconstruction, in contrast to the assurance provided to India in the closing stages of the conflict. As the Indian prime minister said after the first vote, “We do not want to infringe on the sovereignty of Sri Lanka, but concerns should be expressed so that Tamil people can get justice and lead a life of dignity.” But when a resolution in March 2014 authorized an investigation by the High Commissioner for Human Rights, India abstained on the vote. The Indian envoy emphasized his country’s “…firm belief that adopting an intrusive approach that undermines national sovereignty and institutions is counterproductive.”

India’s approach to such issues suggests that its attitudes toward international and transnational norms of sovereignty are contextual and evolving. As India’s transition to a nation-state progresses, its defensiveness will likely diminish. New Delhi accepted arbitration of its maritime disputes with Bangladesh under the UN Convention on the Law of the Sea (UNCLOS), and gave up some territory in the Indo-Bangladesh land boundary agreement of 2015, to agree on a rational border with its neighbour.

The Global Development Narrative
India’s primary concern is preserving its developmental space, and this concern shapes its approach to the global economic order. India is an increasingly globalized economy, with a trade-to-GDP ratio approaching that of China, and a stake in the global economic order. But what is its approach to that order? What are the elements of its developmental space? How will this impact the global order?

The global economic order has focused largely on the management of capital in the past two decades. India has long supported global coordination on the movement of capital. Although capital has been relatively footloose, restrictions on the movement of labour still prevail. In the backlash against globalization, rules on the movement of labour will become increasingly important. India has a particular interest in international agreement on labour issues.

First, it is a relatively young economy with a labour surplus that it sees as potentially contributing to global demographic rebalancing.

Second, it believes that it has a comparative advantage in services, which require greater labour mobility.

India is also interested in labour-totalizing agreements, which have implications for the ways in which labour flows are taxed. While many issues of labour mobility are settled through bilateral agreements, India will continue to press for easing of immigration restrictions, particularly for highly skilled workers. A focus on labour mobility is increasingly part of its agenda in the G20.
India has progressively liberalized its financial sector. Core sectors such as insurance and banking are open to foreign investment; Indian equity markets and venture capital rely heavily on foreign capital flows. Its development strategy depends on investment in defence and infrastructure. India’s engagement on these issues and on the regulation of global finance will thus grow. It has pressed for greater coordination of monetary policy among developed and developing countries. It sees the G20 primarily as a mechanism for economic coordination, particularly in moments of crises or potential crises.

There is one issue on which India is likely to press for new global norms. It is, for domestic political reasons, an advocate of restrictions on tax havens and effective global coordination to combat money laundering. It has tightened the “Mauritius route”—a loophole in India’s bilateral treaty with Mauritius that allowed companies to enter India without their ownership being verified, permitting round-tripping of “black money”. India understands that the legitimacy of global capitalism depends on good-faith efforts to prohibit illicit money flows. Vested interests, with deep inroads into the political systems of several states, will oppose coordination, but this is a crucial issue for development.

India’s trade policy has been shaped largely by its development imperatives. Trade liberalization has benefited the country and the current development model facilitates the expansion of trade. In principle, India prefers multilateral trade negotiations to regional or bilateral arrangements, and is committed to the World Trade Organization. But it has also sought membership in regional trade agreements including the Regional Comprehensive Economic Partnership, for strategic reasons. India has also signed several free trade agreements (FTAs), again, chiefly, for strategic reasons. There is now a backlash in India against FTAs.

Trade agreements arise from a complex interplay of forces: economic logic, political and strategic considerations, and the lobbying power of industries or service groups. In India, ambivalence about multilateral trade liberalization has two sources:

First, political pressure for protection of agricultural subsidies and the food security program, which led to India’s being seen as an obstacle to progress in the Doha Round.

Second, the fact that India’s economy straddles a spectrum from the high end of technology to immense backwardness, requires it to accommodate contradictory pressures, particularly with respect to intellectual property rights (IPR). The knowledge-producing sectors of the Indian economy want stronger IPR protection; while development needs, particularly in healthcare, require regulatory regimes that will reduce costs. While India is open to trade liberalization, its economic circumstances make it averse to deep regulatory harmonization not directly linked to trade. India views the Trans-Pacific Partnership (TPP) with suspicion, firstly because it is out of its ambit and because the deep regulatory and institutional harmonization the TPP requires will weaken India’s competitive position. India’s approach will continue to be marked by tension: Economic actors participating in global manufacturing chains see deep regulatory harmonization as desirable, while others are threatened. Overall, India is likely to remain an advocate of several pathways to development.

Similar imperatives shape India’s engagement with international financial institutions (IFIs). While its borrowing relationship with IFIs is less important than it was in earlier decades, New Delhi finds it difficult to change its approach from that of a “borrower” to that of a “stakeholder” as the
negotiations in 2011–12 on its eligibility for International Development Association (IDA) assistance, show. India had reached the eligibility threshold for concessional assistance, GDP per capita of $1,165 (in real 2009 dollars), and in 2011, informally agreed to “graduate” from IDA support. Subsequently, it reversed itself, arguing that although it was a lower- to middle-income country with a per capita income above the IDA cut-off, it still had hundreds of millions of people in poverty. Meanwhile India’s own growing bilateral aid program was providing around $5.1 billion in lines of credit to poor countries. New Delhi is struggling to balance being a dynamic emerging economy and an aspirational great power, with the reality of high poverty and weak human development.

India is likely to experiment with different political groupings. The BRICS (Brazil, Russia, India, China, and South Africa) has struggled to achieve a coherent political and economic identity, but New Delhi sees alternatives as important. India joined both the Asian Infrastructure Investment Bank and the BRICS New Development Bank (despite concerns about China’s domination of these institutions). While preferring multilateral forums like the World Trade Organization, India has been active in regional and bilateral trade agreements, so long as they are seen as consistent with its developmental path. It has enhanced its commitment to regional integration in South Asia, with the exception of Pakistan.

The political lynchpin of the present global economic system is arguably the G20. India supports the G20 as an institution, but its future will depend on the evolution of the relationship between the major powers, particularly China and the United States. Will the G20 reflect the tensions among the great powers, or help to overcome them? India feels that the G20 has not been very effective in areas other than managing the global financial crisis, but it is a politically significant forum, more representative than the G8, an alternative to a G2, and less unwieldy than the United Nations. India sees the G20 as a more useful instrument for economic coordination, than for addressing deep security challenges.

Global Public Goods
India’s contribution to global public goods is also shaped by its development agenda. New Delhi’s position on climate change has been torn between two imperatives. On the one hand, India is among the countries most vulnerable to the effects of climate change. It recognizes that a planetary consciousness, not national bargaining, is needed to address this. On the other hand, India believes that climate change solutions must be equitable and not deprive extremely poor countries—70% of India’s population does not have access to regular electricity—of development opportunities. India thus insisted on the historical responsibility of developed nations for the presence of CO2 in the atmosphere, and the principle of common but differentiated responsibility in addressing the problem. By signing the Paris Agreement, however, it has signalled a shift away from its traditionally rigid stance.

India is still cast as a reluctant traveller on climate change, but the perception is unfair, while the argument is often a gambit by developed countries to avoid the issue of historical responsibility. Even China embraced the cause of climate change after achieving per capita income four times that of India. India has made it clear that it will not bargain away its right to use fossil fuels in the aftermath of the Paris Agreement. Coal is still an important element of its energy strategy.

India bargains hard in international climate negotiations, often aiming to prompt China and the United States to do more. While India has abandoned its traditional position on common but differentiated
responsibility, it wants more global action on financing for adaptation and mitigation, and an intellectual property regime that facilitates technology transfers. Once the big powers commit to meaningful action, India will follow. It has also been more responsible domestically than has been recognized. New Delhi plays a two-level game, driving a hard bargain in international negotiations, while acting domestically to be ahead of the curve. It has imposed high taxes on oil, and introduced a further charge of $500 per ton on coal. Its renewable energy target is 200,000MW. In short, it is well positioned to deliver contributions quickly, provided it sees credible commitments from other economies.

India’s contributions to international security have been wide ranging and substantial. Its involvement in UN peacekeeping is perhaps its greatest contribution. More than 100,000 Indian military and security personnel have served in over 40 of the 65 UN missions since the 1950s. India has provided more attack and troop transportation helicopters to the UN than any other state. The army maintains a 4,000-strong Standby Brigade Group for UN missions. An infantry battalion from this brigade can be deployed within 30 days, and the rest within eight weeks Despite India’s political reservations about Chapter VII operations, Indian forces have taken part in peace enforcement operations. Indeed, much of the discussion around India’s contribution to peacekeeping turns on issues of “mission creep”.

In recent years, India has also adopted a proactive stance on maritime security and international terrorism. As an emerging economy dependent on significant commodity and energy imports, India’s interests span the Indian and Pacific Oceans. It has organized a group of Indian Ocean Rim countries, with external observers, in defence of these, and has been active in anti-piracy operations off the coast of East Africa. In response to China’s assertive stance on maritime disputes in South China Sea, India has called on all parties to eschew the use of force and work within the remit of the UNCLOS. India has initiated bilateral and trilateral consultations with Asian countries, notably Japan and Vietnam, and Australia and the United States. India has proposed the East Asia Summit as the appropriate forum for discussion of regional security issues and the evolution of an “open, balanced, and transparent” security architecture in Asia.

On terrorism, India recently updated the proposal for a Comprehensive Convention on International Terrorism (CCIT). Tabled in 1996, the CCIT aims to adopt a universal definition of terrorism that all UN member states will write into their criminal laws; to ban all terrorist groups and shut down terrorist camps irrespective of their stated political objectives; to prosecute all terrorists under special laws; and to make cross-border terrorism an extraditable offence. The updated draft seeks to address the concerns of the United States, the Latin American countries, and members of the Gulf Cooperation Council. This year, New Delhi began pressing for agreement on the new draft. This effort is a centrepiece of Prime Minister Modi’s attempt to position India as a “leading power” on international and transnational issues.

India continues to play a responsible role in dealing with nuclear proliferation and arms control. Although it is not a signatory of the Nuclear Non-Proliferation Treaty, it has adhered to NPT norms. Similarly, although it has not signed the Comprehensive Nuclear-Test-Ban Treaty, India has maintained a moratorium on nuclear testing since the tests of May 1998. India also supports a multilateral, non-discriminatory, and verifiable Fissile Material Cut-off Treaty. In this basis, India has campaigned for membership in the Nuclear Suppliers Group, the Wassenaar Arrangement and the Australia Group.
While the outcomes of these bids are uncertain, India has recently joined the *Missile Technology Control Regime*.

**Conclusion**

India’s stance on the global order is a product of its positioning as an aspiring great power. There are no historical precedents for a country consolidating itself as a nation-state within a large and pluralistic democracy; that aims to be the fastest-growing economy while struggling to improve its income per capita; and that hopes to play a larger global role, while dealing with many internal and regional security problems. However, this pioneering path means that the example of a successful India could contribute a great deal to international norms, institutions, and global order.

India will safeguard its interests, prioritise its need to consolidate as a state, and preserve its developmental space, its strategic autonomy, and its position in international institutions. Most of these ambitions contribute to global stability rather than destabilizing it. In turn, a world order that recognizes India’s distinctiveness and particular challenges, will be able to harness its power and purpose for global stability and prosperity.

e. **Latin America**

In their paper on the *Macroeconomics of Populism in Latin America and Regional Governance Dynamics*, Fernando Blumenschein and Diego Navarro of the Fundação Gétulio Vargas note that the decade from 2005-2015 saw both a shift in patterns of inter-governmental coordination, and the rise of a new wave of economic populism, in Latin America, akin in some respects to populist trends in the past, most orthogonal to the ideology of regimes, but novel and distinct in some other ways. While earlier episodes of macroeconomic populism in the region resonated across borders, the most recent series were coordinated transnationally, both in their rise and decline. They were also partisan (based on shared core ideological tenets) rather than national.

The term “populism” reflects concerns about the social legitimacy of policy-making in representative democracies. Such concerns are as old as democracy itself, and have since Classical Antiquity been an object of social theory, often at a level of generality that entangles the theory of populism with abstract methodological debates and ideological commitments. Research on the macroeconomics of populism is distinguished, however, by neat boundaries and analytical power: By focusing on the results of populist policy, it bypasses the controversy about *what constitutes populist politics*. Moreover, because populist macroeconomic cycles tend to end sharply after some time, one can describe in broad-strokes the characteristics of a populist economic experiment:

There are real (if not predictable) limits to their duration. Because they disregard structural constraints, populist economic experiments typically exhibit a life cycle. While the phases may be difficult to date and predict, their succession follows a clear and recognizable pattern.

Experience with specific failed policies does not usually prevent their recurrence. This is often attributed to a “lack of political memory”, although ignorance (poor understanding of economics by politicians and citizens), and deeper social grievances that populists aim to address, also play their part.

Populist macroeconomics are seldom *ad hoc* enterprises leading to unique mistakes. They follow familiar paths in accordance with loosely related, alternative economic theories. Despite not being exclusive to Latin American (having important precursors in German institutionalism and “core-
periphery” theories such as those of Amin (1971), these ideas have found fertile ground in Latin American universities, and in regional institutions including the United Nations Economic Commission for Latin America and the Caribbean (ECLAC).

Because of these common features, macroeconomic populism in Latin America challenges Tolstoy’s adage that “all happy families are alike, but all each unhappy family is unhappy in its own way”. On the contrary, Latin American economies tend to fail in similar ways.

Given the devastating after-effects of populist experiments in developing nations – both in destruction of immediate welfare, and lost opportunities for cumulative development – the macroeconomics of populism tends to be a relatively narrow research program, with clear boundaries that avoid abstract issues of political agency and legitimacy. This allows researchers to discuss how populist policy-making takes place, and how it fails, without becoming embroiled in ideological controversy.

Politics cannot always be separated from policy research and debate, however, especially when exploring macroeconomic populism. Indeed, much of the scholarship deals with the conditions under which populist politics thrive, such as intergenerational bargaining and demands for wealth redistribution. Macroeconomic theory is much clearer on why populist cycles end in failure, than it is on the reasons for their recurrence. It is unclear that the society-wide support that generates and maintains populist experiments can be reduced to a discrete set of failures of economic and political rationality. Rather, history shows that the social forces that make macroeconomic populism possible, are integral to the social system.

In the light of these concerns, widening the area of enquiry is valuable. Seen systemically, the macroeconomics of populism is primus inter pares as an explanatory thread, but economic policy and outcomes are parts of an integrated social system where many other factors, including national and transnational agendas, play important roles.

The authors discuss Latin American populism after 2005, employing macroeconomic theory and the literature on the macroeconomics of populism inaugurated by Dornbusch and Fisher, and the research program this spawned. They synthesize the discussion using systems theory, emphasizing the interactions, couplings and networks within systems to examine systems of systems. Systems thinking eschews both concept architectures based on first principles, and accounts drawing on grand interpretation, seeking instead to explain the emergence and persistence of whole systems from the structural linkages between subsystems. Careful reading of Dornbusch and Fisher’s pioneering work yields systems-oriented insights, satisfying the need for an exploratory account of how interlocking geopolitical and regional governance concerns influence outcomes.

Macroeconomic theory and policy making informed by theory, are aligned with systems thinking. First, the “modern consensus” in macroeconomics reflects the understanding that macro-phenomena can neither be studied as autonomous phenomena operationally independent from the behavior of individuals and firms; nor derived from first principles of microeconomic decision theory. Second, policy-makers informed by the modern macroeconomic consensus no longer see the effects of economic policy as mechanistic and highly predictable. Instead, the consensus suggests an implicit or explicit understanding of the aim of policy interventions as being dysfunctions in complex,
quasi-organic systems.

Indeed, “modern consensus” macroeconomics tends to examine the irregularities, frictions and structural inefficiencies that differentiate the macroeconomic phenomenon from the cleaner and increasingly mathematized objects of microeconomics. In this sense, a national economy is an organic system of systems where policy interventions take effect through long causal chains that are subject to variable delays and imperfect observation by economic agents and policy-makers.

Whether this systems orientation of macroeconomics extends naturally to an understanding of populist politics is an open question, mediated by clashes between theoretical paradigms. Nevertheless, the systems-oriented insights (particularly those of the “classical” systems theory of von Bertalanffy and Luhmann) present a framework for synthesis. David Easton’s formulation is particularly powerful:

“All political systems are distinguished as such by the fact that if we’re able to describe them as persisting, we must attribute to them the successful fulfilling of two functions. They must be able to allocate values for a society; they must also manage to induce most people to accept these allocations as binding, at least most of the time”. (Easton, 1965)

This makes clear that a systems approach to macroeconomic populism must be considered in the context of a stable, longer-running political process that leads to populist experimentation due to its wider dynamics and stability requirements. Even when populist politics frames itself as a clean rupture with the past, or a hard turn to the left, it must co-opt institutions and social forces to achieve political power and produce policy effects. Populist policy often depends on the voluntary cooperation of workers and capitalists, as when inflation control is premised on “social pacts”. This is usually clear in retrospect: While left-wing governments do sometimes enact expropriations and reverse privatizations, the bulk of populist policy making is not hostile to capitalism, but seeks to improve its social effects by giving a larger role for the state.

The value-signaling of populist governments is thus less important than the systemic continuity between policy regimes. Since populist macroeconomics cannot last indefinitely, they succeed orthodox governments. Likewise, orthodox reforms (fiscal and monetary policies implemented to lower inflation, as well as trade liberalization) follow after periods of destabilizing policies. And although politics is anything but logical, there is an internal logic to the macroeconomics of populism that relates national and international politics.


Although the specifics of populist experiments have changed in the period under review, several structural aspects show regularities. As heterodox populist policies become unworkable beyond the short term, they show “boom” and “bust” phases. A populist cycle begins with a phase in which policy innovations yield positive results, followed by a period of crisis, leading to its demise. Despite variations due to the evolution of heterodox policy-making, this outline of a theory of populist macroeconomic dynamics maps the experience of Latin American countries that experienced populist cycles after 2005. One must also recognize that the 2005-2015 period includes the global financial crisis in late 2008, followed by the global recession in 2009.
A few interrelated circumstances explain the merits of focusing on the emergence of populist policy experiments between 2005 and 2015, in Brazil, Argentina and Venezuela:

First, these are large economies with large populations, and a disproportionate influence on regional policies.

Second, while Hugo Chávez took power in Venezuela in 1999, and Lula da Silva and Néstor Kirchner became presidents in Brazil and Argentina in 2003, the governments of these countries largely applied orthodox economic policies until 2004/2005. Chávez followed the policy guidance of the IMF in the late 1990s; while Kirchner focused on completing the reconstruction begun by President Duhalde; and Lula da Silva sought to preserve the price stability he had inherited.

Third, all three countries benefited from an international commodity supercycle, which led to fiscal surpluses, and efforts to reconcile populist discourse and orthodox economics.

In 2005, a radical debt restructuring process took place in Argentina, leading to repayment of the national debt to the IMF to end external oversight of economic policy. In Venezuela, Hugo Chavez proclaimed “socialism for the 20th century” and launched ALBA (the Bolivarian Alternative for the Americas, though in reality for Venezuela and Cuba). By the end of the year, Venezuela and the four members of Mercosur (Argentina, Brazil, Paraguay and Uruguay) had opposed continuing negotiations on the Free Trade of the Americas Agreement (FTAA), stalling regional trade liberalization pursued by the United States.

By early 2006, Venezuela had reshaped its policies, while Argentina and Brazil had changed their finance ministers (Lavagna and Palocci) who were identified with economic orthodoxy. According to Castañeda, the international community was scrambling to understand Latin America’s “left turn” and distinguish the “right Left” (Brazil’s Lula da Silva and Chile’s Michelle Bachelet) from the “wrong Left” (Venezuela’s Hugo Chávez), in order to encourage the least damaging populists to cooperate with the international community.

“[The] populist left has traditionally been disastrous for Latin America, and there is no reason to suppose it will stop being so in the future . . . Distinguishing between these two broad left-wing currents is the best basis for serious policy, from Washington, Brussels, Mexico City or anywhere else. . . The right left should be able to show that there are no penalties for being what it is, but also that it can deliver concrete benefits. The international community should also clarify what it expects from the wrong left. . . Latin American governments of any persuasion must abide by their own commitments regarding human rights and democracy. . . [and] continue to comply with the multilateral effort to build a new international legal order.”

Understanding the new populism requires insight into the prior orthodoxy that the populist leaders opposed. They attacked a specific set of policies, including:

- Trade liberalization and the progressive removal of tariffs and non-tariff barriers. Pre-1990s populism was based on import-substitution and industrialization, which led to industrial policy geared to protection from external competition. Latin American governments in the 1990s had reversed this course.
- Coordination with international financial institutions and developed countries, in addressing structural problems, including restructuring of sovereign debt through bond markets, and IMF
financing subject to policy conditions.

- Implicit or explicit inflation targeting. The populists argued that orthodox neoliberal policies prevented the state from stimulating growth directly, as pursuit of macro-stability was the only accepted role for fiscal and monetary policies.
- Privatization and a market-regulatory approach to the economy by the state. Privatization was framed as selling the national patrimony to corporate interests, while a market-regulatory approach was deemed inadequate to meet social goals.

Governments in the 1990s did not turn radically towards neoliberalism or minarchism (“the minimal State”), as populists claimed. Governments had to keep the support of diverse interest groups, which frustrated many reforms, including the restructuring of national pension systems. The political leaders in the 1990s were also not “neoliberals”: Brazilian President Fernando Henrique Cardoso’s academic work on dependency theory is highly regarded, and President Carlos Menem of Argentina was a Peronist, like the Kirchners a decade later. While many state-owned enterprises were privatized in Brazil, Petrobras and the largest consumer banks remained in state hands, while President Menem was unable to privatize the Argentine state pension system.

The populists that followed these leaders caricatured them as neoliberal, state-minimalist, right-wing regimes in offering an alternative. This characterization influenced their domestic policies, and their judgments on regional integration and uncoupling from advanced economies.

The symbolic calculus of populism

The success of populism in Latin America is due to shrewd political maneuvering and an ideological view of the meaning of politics.

First, populist politics is usually marked by the successful capture of key figures and groups in a complex setting where information asymmetries and rule-making processes allow shrewd politicians to cultivate a diversified support base, though application of what Buchanan and Tullock (1963) called the calculus of consent.

Second, populist politics is the product of the symbolic manipulation of reality. Populism achieves efficacy and legitimacy by locating social conflicts and grievances in a structural narrative with well-defined protagonists, antagonists, a clear collective identity, and a need for state intervention. Populist governments usually claim to be on the side of progress against the forces of backwardness.

This synergy between calculated political ascendancy and the symbolic manipulation of reality is a distinguishing mark of populism. Special interest groups are vested into symbolic roles (labor unions, social movements and corporate national champions), helping to establish the symbolic legitimacy of populist leaders and their policies. Many populist governments also mobilize public intellectuals and artists to their cause to establish legitimacy that is resilient in the face of adverse economic outcomes and shifts in popular support.

These symbolic exchanges explain the recurrence of populist policy experiments. Populism is a systemic feature of Latin American polities and its resilience, despite repeated failures, is due to its resonance among intellectuals and opinion-formers in the media. The success of populists depends on their project appealing to artists and new political allies, as well as to those who are already
convinced. Populist politics often seems disconnected from policy-making. Instead, the structure of its symbolic legitimacy mirrors what Jean Baudrillard calls the “precession of simulacra” – the priority of symbols over that to which they refer, leading to the substitution of ideology by “simulation”. The ideology of power is replaced by the *scenario* of power.clxxvi

One of the trademarks of populist *governments* is their adeptness at balancing the performance of populist *politics* with enactment of “heterodox” policies that neither lead to immediate collapse, nor threaten their symbolic order. If Baudrillard’s theory of simulation were true, the essence of populist policy-making (its internal dynamics and effects) would be irrelevant, as populism would be a “simulation” of real politics that consists in symbolic, not material, exchanges.

The 2005-2015 cycle shows that the symbolic efficacy of populist politics appears to precede its policies, and their impact on their support base - the poor, the working class, and those socioeconomically excluded. Instead, policy is *underdetermined*: intellectuals, social movements, labor unions, and other components of the alliance supporting populist parties, lend that support without reference to policy content, and seem to support the notion of populist (“popular”, “nationalist”) government in principle. Populist governments thus often rely on a narrative, rather than an ideological agenda.clxxvii

But support for populist governments is not due solely to faith or illusion. It is underpinned by the government’s exercise of state power and its supporters’ willingness to wait their turn. Latin American populism exists because populist governments leverage both Baudrillardian “simulation”, and the ignorance of poorly informed voters. While the class origins and left-leaning discourse of presidents Lula in Brazil and Chávez in Venezuela played an important role in building their mass popularity, both “symbolic elites” (artists, intellectuals and the media) and the poor benefited tangibly from patronage, state sponsorship and income redistribution. Moreover, populist governments also secured the support of national businessmen and industrialists, who are less swayed by the “ideological mirage” of populism, and expect real benefits in the form of subsidies, state-backed credit and protection from foreign competition.

This interplay between symbolic myth-making and the calculated management of a diffuse support base is key to understanding the programs of populist governments. Such governments often appear uncaring about their political base, engaging inconsistently in stabilization, and alternating between currency devaluations to please exporters, and revaluations in response to consumer price indices. This calculated ambivalence complicates the logic of the classical macroeconomics of populism, which discusses how unworkable heterodox policies crumble under the weight of reality. Firstly, populists’ grip on power extends beyond the calculus of rational consent, and secondly, populist policy rarely involves an unlimited expansion of government outlays and state power, but involves continuing negotiation with those social sectors that support the government, through targeted policies (like subsidies for off-season fishermen in Brazil), and through the participation of workers and managers in industrial policy-making.

Regional coordination in Latin America: 2005-2015

Populist politics are thus not a “viral infection” of political and ideological concepts that spread across borders due to factors exogenous to domestic conditions. In fact, even when regional coordination
does occur, the recurrence of populism depends on persistent conditions that are not homogeneous and constant over time across a region.

Regional coordination is distinct from populism. The ideal of “Latin American unity” dates back to the 19th century, where military leaders like Simón Bolívar, Antonio Sucre and José Francisco de San Martín played key roles in the independence wars of Chile, Argentina, Venezuela, Bolivia, Colombia, Ecuador and Peru. Malamud and Castro, 2007 claim that “[w]orship of the alleged natural unity of Latin America...[is a]...permanent component the regional political discourse”.

This ideal does not reflect reality, however: Latin America experienced many inter-state wars in the past two centuries. The drive for regional coordination arose from the economic integration of Europe after WW II. Riggirozzi (2010) quotes the ‘president’ of Uruguay “in the early 1960s” clxxv as saying:

“[T]he formation of the European Common Market is a state of near-war against Latin American exports. To one integration scheme we must respond with another integration”.

The “closed” model of regional policy coordination from the 1960s to the 1980s thus reflects national-level economic policies of import-substitution and state-led growth, and it is likely that the alliances of the “closed era” were the result of consciously-shared national policies.

The emergence of Mercosur in 1991 was a break from regional policy-making shaped exclusively by domestic interests, to one that, in principle, imposed restrictions on national policymaking, through provisions for free trade within the bloc. Mercosur mirrored developments in Europe, gradually evolving into a customs’ union and providing for the free movement of people between member countries. Mercosur retained a coordinating role after 2005. However, the effective demise of negotiations in the direction of the United States-led Free Trade Area of the Americas led to a new direction in regional policy. Riggirozzi (op. cit.) contrasts the “old”, trade-motivated regionalism to a “new” regionalism epitomized by the Venezuela-led Bolivarian Alternative for the Americas (ALBA).

The recent populist cycle thus reflects another layer of complexity, combining the domestic links between politics and policy-making with regional coordination mechanisms. Latin American policy coordination has been effected rapidly, but national politics are still decisive, so that when non-aligned political alliances retake power, as they have since 2015, the relative importance of Brazil and Argentina may choke off a populist cycle before it reaches its turbulent end.

The system of alliances is (partially) illustrated in Figure 1. Four international alliances, typical of traditional international coordination, and a customs union, are shown in ellipses: the Organization of American States (OAS) clxxiv, UNASUR clxxv, Mercosur[II] clxxvi, the Pacific Alliance clxxvii, and the Andean Community clxxviii. Two partisan transnational blocs are shown as rectangles: ALBA (Bolivarian Alliance for the People of Americas) clxxix and Foro de São Paulo (FSP) clxxx.
First, the Organization of American States (OAS) links all countries with the exception of Cuba, underpinning the Inter-American Court of Human Rights.

Second, only Venezuela is affiliated to all four organizations in addition to the OAS (ALBA, the FSP, Mercosur and UNASUR).

Third, formerly FSP-aligned governments (Argentina, Brazil and Peru) that were also members of Mercosur[i] (Argentina and Brazil) or the Pacific Alliance (Peru) have recently left that bloc.

Membership of regional alliances cuts across partisan blocs. While the former often dominate policy perspectives, regional blocs also experience partisan influence, notably from Venezuela. The partisan blocs are moreover heterogeneous.

ALBA focuses on international policy, with small symbolic investments in regional “social policies” and advocacy for a common currency (the sucre), as well as a number of large-scale projects, including PetroCaribe and the television network Telesur. Foro de São Paulo has encouraged cross-country partisan cooperation, with leaders from member nations actively campaigning in each other’s national elections, while accommodating less ideological approaches in Chile and Peru.

ALBA’s ideological advocacy for “radical” and “advanced” social investments—contrasts with UNASUR, which also arose from post-2005 populist regionalism. In many ways, UNASUR models itself on the European Union, with a proposed Parliament and a common defense initiative.

Macro-economic Data

GDP growth

Short-run GDP growth reflects short-term policies, conditions for key exports, and global economic performance, leading to relatively high year-to-year volatility.
While the region experienced a few impressive surges, its performance relative to world GDP growth is unimpressive, given the very weak growth in the Advanced Economies. The time-series reflects several years of underperformance followed by good years due to global trends.

**Unemployment**

While GDP figures in the 2005-2015 decade are not extraordinary, unemployment rates may appear to tell a different story. Indeed, many economies with populist governments, including Argentina and Brazil, saw unemployment rates fall well below their long-run averages, while Mexico, a member of NAFTA, had slightly higher unemployment.
One must be cautious in interpreting unemployment rates, however. First, there are methodological inconsistencies in their measurement even within one country. Unemployment rates may be lowered by conditional or unconditional cash transfers, or simply undercounted. The rhetorical importance of unemployment in populist discourse is also relevant. Populist governments in 2005-2015 gave special importance to lowering unemployment. This can be seen in the rates for 2015 being even lower than the averages for 2005-2015, despite negative GDP growth.

**Inflation**

Inflation is a burden for ordinary citizens and reflects underlying structural issues. While most governments fight inflation, populist policy-makers see a structural trade-off between low inflation rates and faster growth. Argentina, Brazil and Venezuela saw rises in inflation un paralleled in other regions, whether Advanced Economies or Emerging Economies.

Figure 4: Inflation rates

<table>
<thead>
<tr>
<th>Year</th>
<th>Argentina</th>
<th>Brazil</th>
<th>Venezuela</th>
<th>Advanced</th>
<th>Emerging</th>
<th>World</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>12.3</td>
<td>5.7</td>
<td>14.4</td>
<td>2.5</td>
<td>5.7</td>
<td>3.9</td>
</tr>
<tr>
<td>2006</td>
<td>9.8</td>
<td>3.1</td>
<td>17</td>
<td>1.9</td>
<td>6.1</td>
<td>3.9</td>
</tr>
<tr>
<td>2007</td>
<td>8.5</td>
<td>4.5</td>
<td>22.5</td>
<td>3.2</td>
<td>7.5</td>
<td>5.3</td>
</tr>
<tr>
<td>2008</td>
<td>7.2</td>
<td>5.9</td>
<td>30.9</td>
<td>1.6</td>
<td>7.7</td>
<td>4.6</td>
</tr>
<tr>
<td>2009</td>
<td>7.7</td>
<td>4.3</td>
<td>25.1</td>
<td>1.2</td>
<td>5.3</td>
<td>3.3</td>
</tr>
<tr>
<td>2010</td>
<td>10.9</td>
<td>5.9</td>
<td>25.7</td>
<td>1.8</td>
<td>6.6</td>
<td>4.3</td>
</tr>
<tr>
<td>2011</td>
<td>9.5</td>
<td>6.5</td>
<td>26.8</td>
<td>2.7</td>
<td>6.5</td>
<td>4.7</td>
</tr>
<tr>
<td>2012</td>
<td>10.8</td>
<td>5.8</td>
<td>19.3</td>
<td>1.8</td>
<td>5.8</td>
<td>4</td>
</tr>
<tr>
<td>2013</td>
<td>10.9</td>
<td>5.9</td>
<td>60</td>
<td>1.3</td>
<td>5</td>
<td>3.3</td>
</tr>
<tr>
<td>2014</td>
<td>23.9</td>
<td>6.4</td>
<td>68.5</td>
<td>0.7</td>
<td>4.7</td>
<td>2.9</td>
</tr>
<tr>
<td>2015</td>
<td>n/a</td>
<td>10.7</td>
<td>180.9</td>
<td>0.6</td>
<td>4.7</td>
<td>2.9</td>
</tr>
</tbody>
</table>

Source: International Monetary Fund - World Economic Outlook 2016

As inflation rates often carry a long memory, direct comparisons may not adequately disclose its inertial, endogenous features. In an attempt to capture this element, the authors took 10 year rolling-window samples – that is \([T - 10, T]\) intervals, where \(T\) goes from 1990 to 2015 – and estimated the one-year “memory” coefficient from the simple autoregressive model \(π_t = α + βπ_{t-1} + u_t\), where \(π_t\) is the inflation rate at time \(t\) and \(u_t\) is an error term. An estimated inflationary memory \(β\) above 1 implies that inflation rates will rise even with “neutral” policy – which, on a ten year horizon, implies an environment of instability where inflation rates above the long-term average will quickly feed-back.

This is illustrated in Figure 5.
Across Latin America and the Caribbean, no long-run disparities are evident between inflationary inertia. Indeed, the key feature of the 1990-2015 period is the sharp turn after 2007, first in non-G7 Advanced Economies and then more generally, which was not reflected in the region until the post-2015 crises in Argentina and Brazil. Instead of long-run turbulence, inflationary inertia estimates for the region seem to capture a series of “orthodoxy shocks”, in 1990-1991, 1994-1995 (influenced by Brazil’s *Plano Real*), and 2003-2004. In the late 1990s Latin American states and the Emerging Asia bloc, which also experienced IMF intervention, outperformed world averages, and those for developed countries, in disciplining self-propelled inflation. This means that discretionary policies are appreciably responsible for rising inflation.

**The life-cycle of populist experiments**

The insight that populist experiments follow life-cycles driven by their internal constraints derives from Dornbusch and Edwards (1991)\(^{\text{xxxix}}\), whose four-phase model is summarized in Figure 6. Populist experiments are said to be short-lived because populist policy is predicated on a *paradigm of no constraints*. Indeed, populist governments in the region attribute their success to willingness to defy received wisdom on the constraints to policy, while past governments have failed due to a lack of will or to perverse opposition to “socially inclusive” development.
Dornbusch-Edwards’ four-phase model, derived from analysis of Allende’s Chile and Alan García’s Peru, identifies the system dynamics of populist policy at the interface of policy, politics and real world constraints. The mechanisms driving the life-cycle have changed over time, and the 2005-2015 wave shows connections between the macroeconomics of populism and regional coordination, but the model provides a taxonomy and a theory of the interaction of high-order elements that allows for discussion of the specifics of new populist policy cycles.

Phase I is triggered by the abandonment of policy constraints. The populist narrative asserts that these were based on excessive conservatism about the requirements of economic stability and hampered growth. Populists advocate an active role for the State with a classical Keynesian emphasis on fiscal and monetary stimulus, but also target expansion of the welfare state and economic inequality.

In practice, the initial policies of populist governments depend on the economic climate they inherit. Populists either come to power after the relative failure of previous orthodox policies, or find many policies they wish to preserve, at least initially. In 2003-2005, the Lula administration committed to maintain inflation targeting and a fiscal surplus, and in Argentina, President Kirschner’s commitment to continuity included keeping the previous government’s Finance Minister.

The recent experiences of Argentina, Brazil and Venezuela show that populist macroeconomic policy may be delayed until populist governments achieve the necessary space for maneuver, and accumulate enough goodwill to effect rupture. President Kirschner’s public disagreements with minister Lavagna over economic policy, which culminated in his firing in late 2005, exemplify this.
Lessons learned from previous episodes: External vulnerabilities

External constraints, especially capital account restrictions, have always destabilized populist policy experiments. Countries with depleted foreign reserves are vulnerable to the behavior of foreign investors who can curtail and reverse investment flows. Meanwhile, the balance of payments depends on the state of world markets, the competitiveness of national exports and the ability to finance trade deficits.

Foreign constraints are by no means unique to the failure of Latin America’s heterodox experiments. The literature on the effectiveness of capital controls (Edwards (1999) and (2001)) reflects several situations where long-lived (but not unconstrained populist) policies of enforcing exchange rate pegs and/or restrictions on capital mobility (South Korea, Thailand, Mexico and eventually Brazil) broke down in the mid-to-late 90s. But while South Korea, Thailand and Brazil (in 1999) adapted, by changing policies and devaluing their currencies, the populist regimes of the 1980s (including Mexico and Brazil) “muddled through” (Edwards 1999) by doubling down on heterodoxy, tightening restrictions on capital mobility and enacting price controls.

Capital account and capital flow constraints played an important in the populist policy crisis in Venezuela. But populist governments in the 2005-2015 wave, acted to subdue external sources of destabilization by uncoupling financially from the Advanced Economies. Policy-makers learn from experience and adapt. This also shows that seemingly very different circumstances (in the 1980s and post-2015) exhibit similar systemic linkages between political discourse, policy-making, international coordination and economic outcomes.

Informed by the high social costs of the collapse of 1980s populism, and the continued reality of “foreign vulnerabilities” in the 1990s, populist policy-makers in the post-2005 wave acted to effect “independence” by decoupling from Advanced Economies, by:

- Maintaining high levels of foreign reserves, even at high fiscal and social costs (Rodrik (2006));
and
- counter-intuitive debt financing strategies - paying off low-interest debts to the IMF and acquiring precariously-negotiated debtor positions, notably in Argentina.

These were backed by regional efforts at financial uncoupling:

- Trade was oriented towards regional trade finance, also by creating regional currencies like ALBA’s sucre and Mercosur’s gaucho;
- provision of regional project finance at subsidized interest rates, often in the guise of “exporting services” for infrastructure projects in other countries; and
- strategic initiatives involving state-owned companies, particularly in the oil and gas sector.

These made the 2005-2015 wave more resilient to external constraints. In 2011-12, Brazil could manage exchange rates both to devalue (and boost exports) and revalue (to curb inflation). Argentina displayed remarkable brinkmanship in renegotiating the debt in 2014 while maintaining an official currency peg and avoiding financial market convulsion. The new populist policy-makers were not able to bend the rules to their whim, of course. Financial uncoupling proved viable in countries like
Argentina and Brazil, with significant important exports, large domestic markets and diversified economies that were reasonably resilient to balance-of-trade restrictions before uncoupling. Moreover, uncoupling exacted fiscal costs, and reductions in productivity and microeconomic efficiency that contributed to later instability.

But these active efforts to uncouple from global financial markets gave populist governments an extra degree of freedom, which makes it harder to predict the end of the cycle of heterodox policy experiments. This additional freedom may have increased the role of politics at the end of these cycles. On the one hand, active external constraints served in the past as means of international coordination through market forces. After this cycle, national politicians who wish to change the policy regime may need to clarify the fiscal, microeconomic and social costs of populist policies, including the management of external constraints. On the other hand (returning to David Easton’s insight), the ability to impose costly “independent” policies depends on a government’s ability to allocate costs and benefits in a politically sustainable way.

Concluding remarks

John Maynard Keynes hoped that economic policy would be one day thought of, like dentistry, as a task for “humble and competent” specialists. Policy-making has always been structurally coupled to politics due to the nature of democratic government. This has not, however, always led to the recurrence of experiments in populist policy-making. When discussing the macroeconomics of populism in Latin America, one must therefore ask what economists, political scientists and other experts can do about its recurrence on this continent.

A partial answer emerges from the literature on the macroeconomics of populism: There are constraints on populist policy-making that governments typically ignore, but that should be highlighted in policy discussions. Price controls, for example, don’t work after a short period of time, and this should be emphasized. Without clarifying certain practical and technical matters, it may be possible to find common ground. Helping to avoid costly policy mistakes involves more than technical clarity, however. The latest wave of populist policy-making in Latin America was informed by knowledge and experience on the economics of external vulnerability, and this was used to support the populist program.

A superficial embrace of “orthodox” macroeconomic policies may disguise the typical life-cycle of populist experiments. Market-oriented analysts saw Brazil’s trajectory until 2013 as exemplary, given policy-makers’ apparent commitment to budget surpluses and inflation targets. From a different perspective, Venezuela was seen by some social scientists as an impressive case study of rapid development. This led many financial agents, academics and foreign leaders not to press for real improvements.

So how can regional institutions be redesigned to exert a positive influence on governments? Latin American institutions have historically been of two kinds: They either enable countries to adopt their own policies, whether “orthodox” or “heterodox” policies; or they aim to coordinate a common vision. Mercosur[l] in the 1990s, with its agenda of free trade, was an example of the latter. This project, however, was truncated by the end of FTAA talks in 2005, leading Mercosur to change its role, and to
the emergence of new institutions like ALBA.

While regional mechanisms favoring either “orthodox” or “heterodox” policies have made a mark on the region, neither has been decisive. “Heterodox”, populist policies eventually collide with reality, but “orthodox” policy-makers have done no better in systemic terms.

While long-term sustainable development requires responsible macroeconomic policies, these are not enough. When orthodox adjustment leads to a loss of welfare for significant groups of citizens, compensatory policies are needed. Policy-makers also need to clarify the utility and benefits of orthodox policies in the short run, to prevent future populist backlash. Likewise, regional coordination blocs must incorporate a deeper understanding of policy-making as an endeavor intertwined with politics, and with socioeconomic outcomes.

IV ANALYSIS AND INTEGRATING REMARKS

a. Introduction

The diversity of the approaches to collective action set out in the five papers provides insight into the reasons for the present inadequacy of global governance and, indeed, many other forms of collective action at transnational scales. A few elements should be highlighted:

In his paper on the USA, Professor Voeten argues that while U.S. leadership is needed for global multilateral cooperation, this has not been present since end of the Cold War. He suggests that this is because the U.S. has become isolated in international organizations; the global institutional landscape no longer favours the U.S.; and U.S. domestic political circumstances impede delegation of authority to supranational institutions. These three factors are clearly interrelated. He suggests that the U.S. might address the deficit by engaging further to repurpose the institutions it helped establish after WWII; by influencing global rules through informal clubs, plurilateral institutions and extraterritorial jurisdiction; and by leading inclusive multilateral initiatives without treaty obligations or significant delegation of sovereign authority.

In their paper on the Russian Federation, Dr Sergei Kulik, and Dr Igor Yurgens note that international developments of concern to the Russian government have led to more policy outputs stressing Russia’s discontent with the current world order, leading the Valdai Club and others close to the Kremlin to explore paths to a coherent system of global governance, premised on a balance of power and comprehensive rules of behaviour. These institutions advocate a bipolar model, founded on the United States and China, with Russia in partnership with China to counterbalance the Western axis led by the United States. The Valdai Club authors suggest that a balance of power in a globalised, interdependent world would differ greatly that which prevailed in the Cold War; promote stability and better understanding between the two camps; and lay the foundations for better global governance. Dr Kulik and Dr Yurgens criticize the immaturity of the Russian debate, however, contrasting it with that underway in China and India, and cite Dmitri Trenin to the effect that Russia has offered no alternative to the present world order and no blueprint for reform. They oppose the currently fashionable argument that Russia’s strength lies in its unpredictability, leaving Moscow free to ignore inconvenient international obligations that weaken its role; and conclude that Russia cannot afford strategic mistakes and must choose a wise course between simply accepting the global status quo and swimming against the global current, by developing a considered approach to foreseeable changes and working actively within the global community to address the challenges.
In his paper on **China**, Professor Wang Wen explores the use of the G20 as an institution of transnational governance that China sees as fit for purpose. As China’s growing economic strength translates into political influence, and the Chinese government becomes more confident in taking an active role in global governance, Beijing sees the G20 as the best platform through which to advance its view of a beneficial world order. China’s position is premised on four pillars: *Innovating for growth* with better global governance, reformed development mechanisms, and a global flow of goods and services; *improving global economic and financial governance* though the G20, supported by institutions like the Asian Infrastructure Investment Bank; *constructing an interconnected, open, complementary global economy*, recognising that countries are at different phases of development and have different strengths, and matching countries’ needs and offerings to benefit all, by aligning all countries’ interests in a cooperative system; and promoting *inclusive and sustainable development* to enable optimal allocation of global economic resources and achieve the integration of economy, society, and environment through effective governance. Professor Wang states that, in the aftermath of the global financial crisis, the former [Western-dominated] mode of economic development cannot deliver the structural economic transformation needed for sustainable development China thus believes that by integrating the 2030 Agenda for Sustainable Development, the G20 can establish a new partnership in global economic governance and promote positive interaction and mutual development between all countries. China’s experience in delivering almost four decades of rapid growth to become the world’s second largest economy; its possession of over $3tn of foreign exchange reserves; and its investment in complementary IFIs (AIIB, Silk Road Fund, NDB), and transnational development programs (One Belt, One Road), permit it to advance, through the G20, a new mode of sustainable economic development.

In their paper on **India**’s approach to the evolving global architecture, Pratap Bhanu Mehta and Srinath Raghavan of the Centre for Policy Research in New Delhi, point out that India’s attitudes to global governance derive from its internal economic and developmental priorities as a diverse, postcolonial, liberal democracy still in the process of nation- and state-formation. As a founding leader of the non-aligned movement, India engaged actively in global institutions. Today, it seeks to change representation in these institutions and experiment with new approaches to global governance, while adhering to the rules of the international order in a multipolar world. India is a liberal democracy without an evangelizing mission; an old civilization with a fierce, but non-hierarchical nationalism. Its complex identity—an Asian country whose values are rooted in the Enlightenment, and a deeply religious, yet pluralistic, society with a democratic tradition—has led it to avoid polarizing ideologies in its engagement with other states. India has been prudent in the use its foreign policy instruments, and is likely to continue on this path as its economic and military capabilities grow. India’s evolving stance on the global order is the product of its status as an aspiring great power. There are no historical precedents for a country consolidating itself as a nation-state in a large, pluralistic democracy; that aims to be the fastest-growing economy while struggling to improve its income per capita; and that hopes to play a larger global role, while dealing with internal and regional security problems. However, this pioneering path means that a successful India can contribute meaningfully to international norms, institutions, and global order.

In their paper on the *macroeconomics of populism and the dynamics of regional governance* in **Latin America**, Fernando Blumenschein and Diego Navarro note that 2005-2015 saw the coincidence of a shift in patterns of inter-governmental coordination, and the rise of a new wave of
economic populism, in Latin America – notably in Venezuela, Argentina and Brazil – akin to populist trends in the past, but novel and distinct in other ways. Past episodes of macroeconomic populism resonated across borders, but the most recent series were partisan (based on shared ideological tenets) rather than national, and coordinated transnationally. Informed by the high social costs of the collapse of 1980s populism, and the continued reality of “foreign vulnerabilities”, populist policymakers after 2005 also acted to decouple globally by maintaining high levels of foreign reserves at high fiscal and social costs, and implementing unusual debt financing strategies, notably in Argentina. A net of ideologically-diverse regional organisations facilitated these policies by supporting trade with regional trade finance backed by regional currencies; providing regional project finance at subsidized interest rates; and permitting strategic initiatives with state-owned companies, particularly in the oil and gas sector. This made the 2005-2015 wave more resilient for a time to external constraints. The new populist policy-makers could not bend the rules to their whim, however, as uncoupling exacted fiscal costs and lower productivity and microeconomic efficiency that contributed to instability. After this phase, Latin American politicians who wish to change the macroeconomic policy regime may need to clarify explicitly the fiscal, microeconomic and social costs of populist policies. The period also has lessons for orthodox policymakers: While long-term, sustainable development requires responsible macroeconomic policies, orthodox adjustment is not enough. If it leads to a loss of welfare for significant groups, compensatory policies are needed. Policy-makers must also clarify the utility and benefits of orthodox policies in the short run, to prevent a populist backlash in future. Likewise, regional coordination blocs must recognise that policy-making is intertwined with politics and with socioeconomic outcomes.

Each of these major countries – or region, in the case of Latin America – has a markedly different perspective on global governance, or collective action at a regional scale.

The United States sees itself as isolated in international organizations, inhabiting a global institutional landscape that no longer favours it; leading to domestic opposition to delegation of authority to supranational institutions.

The Russian government dislikes the current world order but has offered no alternative structure and no blueprint for reform, although The Valdai Club has advocated a bipolar model, founded on the United States and China, with Russia in partnership with China to counterbalance the Western axis, that would promote stability and better understanding between the camps, in a globalised, interdependent world, leading to better global governance.

China has a more coherent view, premised on the need to create an open, inclusive and multipolar world, defined by innovative policies that reflect the interconnectedness and complementary character of states at different stages of development. The global financial crisis has convinced Beijing that the West’s preferred mode of economic development will not deliver the structural economic transformation needed for sustainable development, and persuaded it that its own growth experience since 1979, the scale of its foreign exchange reserves, and its investment in complementary IFIs and transnational development programs, permit it to advance, through the G20, a new mode of sustainable economic development.

India is constrained by its domestic developmental imperatives and its continuing nation- and state-building priorities, but aspires to continuing rapid growth, national consolidation and social development. As a political child of the European Enlightenment, it respects a world order premised on the rule of law and respect for human rights, but seeks greater representation in its institutions, and an improved ability to affect outcomes. While focused on securing its national interests, it will
continue to act prudently in order to advance by balancing its needs and objectives.

**Latin America** still comprises divided societies whose social characteristics predispose them to divergent policies prioritising economic orthodoxy on the one hand, and populist, heterodox efforts to reduce inequality and expand opportunity for the underprivileged on the other. Its regional organizations have not yet bridged this policy divide, and instead birthed a new group of partisan institutions supportive of, and committed to coordinating, these divergent paths. Institutional deepening and growing political maturity will overcome these divides, but the continental institutions cannot yet help define shape global outcomes in meaningful ways.

### b. Preliminary insights

The analysis suggests that the U.S. (and the European Union) are still conservative powers (and institutions), committed to preserving, as far as possible, the parameters of the world order established at Bretton Woods and San Francisco, and developed by the Marshall Plan\(^{cxcii}\), the North Atlantic Treaty Organization\(^{cxciii}\), and the emergence of the European Union\(^{cxciv}\) from the European Coal and Steel Community, through the European Economic Community, the European Community, and, in parallel, the Eurozone. The U.S. *National Security Strategy* of February 2015\(^{cxcv}\) defines the *enduring national interests* of the U.S. as those outlined in the 2010 *National Security Strategy*:

- The security of the United States, its citizens, and U.S. allies and partners;
- A strong, innovative, and growing U.S. economy in an open international economic system that promotes opportunity and prosperity;
- Respect for universal values at home and around the world; and
- A rules-based international order advanced by U.S. leadership that promotes peace, security, and opportunity through stronger cooperation to meet global challenges. (emphasis added)

The document emphasises the need to pursue “a comprehensive national security agenda, allocate resources accordingly, and work with the Congress to end sequestration”, but recognises that finite resources will require hard choices. In these cases, The U.S. will prioritize efforts that address the top strategic risks to its interests:

- Catastrophic attack on the U.S. homeland or critical infrastructure;
- Threats or attacks against U.S. citizens abroad and our allies;
- Global economic crisis or widespread economic slowdown;
- Proliferation and/or use of weapons of mass destruction;
- Severe global infectious disease outbreaks;
- Climate change;
- Major energy market disruptions; and
- Significant security consequences associated with weak or failing states (including mass atrocities, regional spillover, and transnational organized crime).\(^{cxcvi}\)

The *National Security Strategy* also states that the U.S. will “…seize strategic opportunities to shape the economic order and cultivate new relationships with emerging economic powers and countries newly committed to peaceful democratic change… and capitalize on the potential to end extreme poverty and build upon our comparative advantages in innovation, science and technology, entrepreneurship, and greater energy security”, while leading with strength, by example, with capable partners, and with all the instruments of U.S. power, informed by a long-term perspective.\(^{cxcvii}\) But,
as Professor Voeten notes in his paper, Washington’s sense of itself as isolated in international organizations, and inhabiting a global institutional landscape that no longer favours it, has led to domestic opposition to any delegation of substantive authority to supranational institutions, thus compromising its ability to lead effectively. The relative weakness of the European Union, meanwhile, due to its multinational character and fissiparous tensions, make translating a Common Foreign and Security Policy into a viable Global Strategy near impossible.

The emerging powers in the BRIC framework have not yet offered coherent alternatives.

Russia’s objections to the existing order were set out in Mr Putin’s speech to the 43rd Munich Security Conference in 2007, and reiterated in part on several occasions thereafter, notably at the meeting of the Valdai Club in October 2014 after Russia’s incorporation of Crimea. There are three elements:

[i] The absence of a moral foundation for, and the impossibility of, a unipolar model of global security;
[ii] the unsustainability of “unilateral and frequently illegitimate actions” based on military force, frustrating political settlements and comprehensive solutions to conflicts, and leading to disdain for international law, national insecurity, efforts to acquire weapons of mass destruction, and global terrorism; and
[iii] the need for a reasonable balance between the interests of all states, notably Brazil, Russia, India and China, with those of the United States, in a multipolar global system. Similar themes were advanced at the Valdai Club meeting in October 2015.

As Dr Yurgens and Dr Kulik point out in their paper, however, the Russian government has offered no alternative structure and no blueprint for reform. The Valdai Club’s proposal of a bipolar model, founded on the United States and China, with Russia in partnership with China to counterbalance the Western axis, is said to have the potential for a balance of power in a globalised, interdependent world that would promote stability and better understanding between the camps, and better global governance.

China’s proposal, outlined in the 4 Is framed for Beijing’s presidency of the G20, and premised on the need for an open and inclusive world, defined by multi-polarity and innovative policies reflecting the interconnectedness and complementary character of states at different stages of development, offers an interesting, if still poorly understood, alternative. The global financial crisis convinced Beijing of the weakness of the U.S.-inspired development system and strengthened its belief that its growth experience, the scale of its foreign exchange reserves, and its investment in complementary IFIs and transnational development programs now permit it to advance, preferably through the G20, a new mode of sustainable economic development. Late in November 2016, some in Beijing were suggesting that the uncertainty introduced into both bilateral and multilateral relations by the election of Mr Donald Trump in the United States, might require China to accelerate its advocacy of this alternative program.

India’s domestic developmental and state-building priorities and its philosophical affinity for Enlightenment values, the rule of law and respect for human rights, limit its interest in transforming the existing order. It will thus continue to act prudently and pragmatically, seeking to secure its national interests.
Latin America’s volatile political evolution and relatively immature institutions, including its partisan regional organizations, restrict its ability to shape global governance outcomes.

So what is one to conclude?

First, no overarching concept of the desirable principles of a future global order will soon emerge among the world’s leading powers. However important it is that a common vision should be advanced, the cultural and political preferences of the elites in the major capitals – and, more so, of the populist forces on the right and the left now emerging as a result of economic and social pressures and perceived threats to identity in a growing number of states – will frustrate that possibility. Neo-liberalism is in retreat in the Western world, and neo-nationalism on the rise. Neo-liberalism is in retreat in the Western world, and neo-nationalism on the rise. Ironically, the most comprehensive counterweight to this is global perspective of the political elites in Beijing.

Second, the interplay between long-range geo-economic trends, geopolitical tensions, and domestic social inequality and anger, exacerbated by the technological transformation of work and education now underway, is fracturing national societies and weakening institutions of representative democracy. The nationalistic, nativist, populism that emerged in the United States in 2016 is already familiar in Russia and Turkey, quite widespread in parts of Latin America, Africa, the Arab region and South Asia, and has been rising in both Western and Eastern Europe for over a decade. In a recent article on the European Union, Takis Papas argues that the European project has had three tasks: Consolidating pluralist democracy; forging a multi-ethnic and multicultural union of peoples and states; and advancing political liberalism. Karl Popper’s “open society”, Isaiah Berlin’s “negative liberty”, John Rawls “overlapping consensus”, and Ronald Dworkin’s assertion that equality is the “sovereign virtue”, shaped political discourse and policy. In 1989, Francis Fukuyama’s celebration of the prospect of “the universalization of Western liberal democracy as the final form of human government” seemed to epitomise the moment. But times have changed. Europe’s commitment to multiculturalism is under stress due to Islamist terror attacks, and the tide of refugees and migrants from Africa, the Levant, and Central Asia. Liberalism is in retreat in Greece, Hungary and Poland. European voters, like those in the United States, are fearful and mistrustful.

Papas suggests that the challenges to democracy in Europe mask distinct categories of political revolutionaries, and distinguishes between antidemocrats, who oppose the representative democratic system; nativists who oppose deeper European integration; and populists, who, while democratic, oppose liberalism. Papas argues that these phenomena have distinct causes, normative assumptions, and consequences. It is clear from his analysis, however, that there is an appreciable overlap between the motivation and some of the political norms of the European parties that he places in the nativist and populist camps. It may thus be that one should think of nativism as reflecting a normative political objective of certain parties and their supporters, while populism describes an instrumental approach, or means, to achieve these, or other, objectives.

Papas posits that antidemocratic parties should be countered by a resolute state that uses legal and constitutional means to restrict extremist behaviour. He cites Germany’s Basic Law, and the decisions of Belgium’s Court of Appeals in Ghent and the Greek Constitutional Court as examples. He argues that containing nativist parties that exploit or respond to citizens’ fears of immigration, globalization, and European integration, demands a policy response, and observes that “there can be no doubt that solutions to the migration crisis, Greece’s debt problem, and terrorism
would take the wind out of contemporary nativism’s sails”. He warns, however: “If Europe’s political class cannot rise to meet these tasks, nativism will continue to be a growing force.”

He sees populism, which negates political liberalism, as the most menacing threat, as it thrives where political institutions are weak and societies polarized. Populism is contagious, leading other parties to emulate the success of the populists at the ballot box, further degrading liberal institutions and increasing social tensions. He cites Greece, Hungary, and, more recently, Poland as warning examples.

It is therefore worth considering the characteristics of populist political campaigns and governments, drawing in part on Blumenschein and Navarro’s discussion of Latin American populism.

Populist campaigns — whether of the left or the right — achieve legitimacy by manipulating reality symbolically, to locate social grievances in a structural narrative with well-defined protagonists, antagonists, and a coherent sense of collective identity, which defines a need for intervention. Populist campaigners claim to be on the side of light (or progress) against the forces of darkness (or backwardness).

Successful populist governments incorporate key figures and groups into structural alliances in a complex setting, where information asymmetries allow them to cultivate a diversified base, by promising different benefits to different groups. Some special interest groups are vested with symbolic roles to bolster the legitimacy of the leader and his/her policies. Some populist governments thus achieve legitimacy that proves resilient with their supporters — for a time, at least — even in adverse economic circumstances and with falling popular support. Mr Putin and Mr Erdogan are outstanding examples.

Populist politics is often disconnected from policy. Its legitimacy reflects the priority of symbols over substance, with ideology being replaced by the “scenario of power”. But populism thrives in objective conditions, notably when significant numbers of people feel marginalised, with their livelihoods and identities threatened. And populist politics in one cause, can breed antithetical campaigns by others who feel threatened by the rise of the populist[s]. There is evidence of that in the protests and clashes in U.S. cities after Mr Trump’s election, and in “Black Lives Matter” marches over a longer horizon. That path can rend the social fabric, with awful consequences. Minorities, seen as the “other” in every society, are in the forefront of risk.

Just after the election, a New York Times article spoke correctly of Mr Trump’s recent victory as a “stunning repudiation of the Establishment” and continued: ”it was a decisive demonstration of power by a largely overlooked coalition of mostly blue-collar white and working-class voters who felt that the promise of the United States had slipped their grasp amid decades of globalization and multiculturalism.”

This is true not only in the United States. The particulars differ from country to country, but the current is wide and deep throughout the “developed world” and parts of the “developing world”. The trend will accelerate as we continue to automate, digitize and transform our economies. Many more traditional blue-(and white-) collar jobs will be lost each year. Human societies, and our educational and other social institutions, adapt more slowly than technology, and we are ill-prepared for the social and political consequences.

The 2016 U.S. election has made clear that Mr Trump’s populist narrative (“…you’re feeling pain; I can make it go away and make America great again…”), while simplistic and unsupported by policies during his campaign, resonated strongly with almost half of the U.S. electorate. It will keep doing so for some years, and will shake the foundations of representative democracy just as the
Industrial Revolution of the late 18th and early 19thC upended empire and monarchies in continental Europe, and drove the Great Reform Act of 1832 and the Second Reform Act of 1867 in Britain.

Our failure to address this problem adequately is becoming increasingly dangerous, as the rise of populism makes clear. One can observe that we need to address the sources, and the reality, of acute inequality; restore possibilities for upward mobility for the bright but less privileged; provide social safety nets for those who cannot be reskilled and adequately accommodated in labour markets over the next two decades; invest in the transformation of education and skills training to enable horizontal mobility and lifelong learning; and actively build social capital and cohesion to enable collaboration and burden-sharing as we transition. But it is difficult to see how fiscal and social policies to enable this will emerge from the present political malaise.

Preoccupation with the need to respond to these urgent domestic imperatives, will make collaboration on “common goods” – climate, the oceans and the environment more generally – as well as intelligent responses to terrorism, violent extremism and organised crime, more difficult. The progressive demise of international trade regimes, if unchecked, will dislocate global value chains, slow growth further, and increase geopolitical stress. This challenge is not limited to the United States, or to Europe. It is global, and the agenda of the G20 must be refocused to address it urgently.

c. A conceptual framework for a fracturing world: Reconsidering appropriate scales in a complex system:

Hedley Bull’s proposition was that a global society must comprise ’... a group of states, conscious of ... common interests and common values ... conceiv[ing] themselves to be bound by a common set of rules in their relations to one another.” A realistic appreciation of the global environment at present would acknowledge considerable financial and economic integration, coexisting with substantial cultural diversity and social fragmentation. The political instruments available to reconcile this global asymmetry are inadequate, resulting in there being neither universal consciousness of common interests and common values; nor acceptance, on many levels, of an obligation to adhere to a common set of rules governing interstate relations.

This is apparent in the discussion of the norms informing national policy on global governance in the U.S., Russia and China, while the paper on Latin America shows that collective transnational action is frustrated on even a continental scale by ideological divides and divergence on economic and social policies. The paper on India, meanwhile, indicates that New Delhi identifies with the values of the European Enlightenment, something that neither a Chinese nor a Russian scholar would assert in respect of Beijing or Moscow. Interstate relations in South Asia, are still fraught with tension, despite recognition in New Delhi and Islamabad of the need to contain the risk of conflict escalating beyond disputes on Kashmir. Tensions in the broader Middle Eastern theatre between the eastern Mediterranean and the eastern littoral of the Persian/Arabian Gulf are acute and characterized by extensive conflict, while the Eurasian theatre and that of the Pacific – notably the East China Sea and the South China Sea – are defined by geopolitical and economic tension.

The three elements of a putative global society – the economic, social and political – are thus profoundly asymmetrical. This multivariate asymmetry between the economy, society and polity, produces weak economic governance, economic and social volatility, normative clashes, and social and geopolitical turbulence. Misguided efforts to direct large-scale human economic, social and
political behaviours through poorly-directed policies, lead to awkward efforts to correct these in the aftermath of unintended consequences. We also face the consequences of poorly understood interactions between our growing, technologically empowered, human society and the bio-geosphere in which it is embedded. Much of this is due to our failure to recognize that we are dealing, with a complex adaptive system.

Complex systems have several defining characteristics:

- Many strongly interdependent variables, interacting in non-linear ways, with multiple inputs contributing to observed outputs, making attribution of causes and effects very difficult;
- Chaotic behaviour, defined chiefly by extreme sensitivity to initial conditions, fractal geometry, and self-organizing criticality;
- Multiple (meta)stable states, where a small change in the prevailing conditions may precipitate a major change in the system; and
- A non-Gaussian distribution of outputs.

These principles have long been familiar in physics and related areas of natural science. James Clerk Maxwell observed in 1890 that: “The statistical method [of complexity] involves an abandonment of strict dynamical principles.” Karl Popper argued that the shift from an atomistic, mechanistic ontology to one based on probabilities, was one of the most significant intellectual shifts in the history of science:

“The world is no longer a causal machine. It now can be seen as a world of propensities, as an unfolding process of realizing possibilities and of unfolding new possibilities.”

But we have not incorporated these insights into our management of institutions or of policy. Our failure to understand that unconstrained increases in the scale of what we connect, and then either leave to work without guidance – like global financial markets between 1999 and 2015 – or seek to manage through law and regulation – like international criminal activity or global migration – lead inevitably to systemic disruption, can only be corrected if we recognize that our conceptual models are inadequate.

Increasing the number of elements connected within a system exponentially increases uncertainty: An arithmetic increase in number of elements leads to a geometric increase in number of potential links, and an exponential increase in the number of possible patterns. This algebraic rule does not, of course, determine the outcome: Systemic linkages can either amplify the impact of harmful events – as the recent financial crisis demonstrated and rising evidence of extreme weather events suggests – or may modulate and disperse their effects in other conditions. An efficient mechanism to share risk in one set of circumstances can thus become a dangerous channel of systemic instability in another. Risk at the system level may be substantially higher than the sum of individual risks.

This means that it matters greatly what we do in creating or modifying linkages, regulating and incentivizing behaviour, and adopting or abandoning policies and programs. We are not the captives of irresistible extraneous forces. The excuse that it was not possible to foresee harmful consequences is rarely true. This does not, of course, mean that haste, greed or ignorance cannot, and do not, result in disaster. They can, and they do. Conscious maleficence is not needed to cause chaos or disaster. Conscious thought, relevant research, careful reflection, and some humility, are needed to avoid them.
It is worth reflecting, however, on the possibility that we may have reached a point at which a critical number of established structures, procedures, and social systems are no longer fit for purpose, incapable of delivering the outcomes we expect of them; and urgently and simultaneously in need of [more or less] radical reform. There are a number of candidates: the institutions of global governance; institutional structures of regional governance; most regional security arrangements, most forms (including representative democracies) of national political governance; the institutions and systems of “free markets” as we have come to define them in the past 25 years; the relationship between education, formal training and employment or work; the well-elaborated “Western” educational system; and the systems of social coexistence shaped by rapid urbanization, followed by globalization, that are now under stress in many advanced economies as a result of deteriorating infrastructure, population aging and generational dispersal.

One can employ a metaphor drawn from theoretical physics – that of symmetry breaking – to explore some aspects of the potential implications. A symmetry break – in this context – would be the point at which the working of a complex system transitions from a symmetric but ill-defined state, into one or more clearly-defined states. In the form known as spontaneous symmetry breaking, the underlying laws are unchanged, but the system changes spontaneously from a symmetrical, to an asymmetrical, state.

Seen in the context of human society – a complex system embedded in the earth’s bio-geosphere to constitute a much larger complex adaptive system – one can suggest that the profound, multivariate asymmetry between the scale and depth of the global economy, the absence of a commensurate, inclusive community, and the defective state (or absence) of a global polity, might make a spontaneous symmetry break inevitable. On a related plane – partially, but not wholly, orthogonal to the first – the impact of a far more numerous (7.2+ billion), economically and technologically empowered human species is influencing the workings of the bio-geosphere in unprecedented ways that we can identify individually, but not comprehend systemically. This might prompt a spontaneous symmetry break on a far larger scale, extending far beyond climate: The concept of planetary boundaries and the risk of severe indeterminate consequences if they are infringed, has been explored at some length in recent years. James Lovelock and Lynn Margulis have lyrically called the earth system Gaia, and suggested that, in a period dubbed as the Anthropocene due to the impacts of the aggregate footprint of humankind, on the earth system, homo sapiens is existentially at risk.

Well before that point is reached, however, we face significant challenges. Our capacity for constructive collective action at substantial scales in this highly connected world is very limited. Systemic failure on several levels simultaneously is straining our capacity to manage economies, stabilize societies, manage conflicts and respect ecologies, individually and collectively. Symmetry breaks on each level seem to be shifting established patterns to asymmetrical states. To apply the metaphor to inter-state or inter-community relations, symmetry breaks put cooperative existence at risk and encourage efforts at domination, due to the destruction of the normative conditions that enable constructive equilibrium. There are examples at present from Eurasia, through Europe and the Mediterranean, to the Levant and other parts of the Arab region, as well as Africa and Central Asia. Few states have not experienced domestic social stress in the past five years, much of it related to the global economic crisis. With weakened domestic institutions, moreover, many governments lack
effective instruments to respond to social needs. The rise of nativism and populism, and sporadic surges of anti-democratic forces, should occasion no surprise.

To enable dynamic systemic stability, one needs symmetry between the scale of the economy, the cohesion of the society whose interests the economy must serve, and the reach and efficacy of the polity, which is the authoritative means of allocating economic and social goods within a society.

If we adopt a systemic approach both to human social concourse, and to the relationship between the human species and the ecosystem in which it is embedded, we can address these challenges more constructively. The first step involves recognising the relations between the components. The political, economic and social realms are often treated distinctly, chiefly because of the constraints of the academic disciplines that emerged over centuries, and because certain activities have become associated with particular classes and professions.

Politics is simply the means by which economic and social goods are allocated authoritatively. Economics today addresses chiefly the workings of markets – which, in principle, allocate goods and services efficiently without authoritative intervention – but macroeconomic discussions, especially those pertaining to fiscal and monetary policy, are intended to provide guidance to policymakers seeking to make political decisions in the interests, as they perceive them, of the citizens in the societies whose welfare they are charged to advance. Politics, economics and society are thus simply components of a system whose purpose is to enable constructive coexistence between people who do not share family ties, but must cooperate and compete to ensure their individual and collective welfare. When we lose sight of this, we frustrate our social purpose, and disturb that of others.

Not surprisingly, efforts to achieve common purpose, and coordinate collective actions for social purposes, prove more successful at smaller scales, while larger scales pose greater challenges. It is relatively easy to achieve harmony on the scale of a village; not too difficult in a town or city; quite feasible at a national scale in certain (often smaller) states; more difficult at regional scales (e.g. the Eurozone or European Union); and very difficult on a global scale. We hypothesize that such efforts fail when the scale is too large to accommodate the diverse interests of (sub-national) groups, and national states, especially when values are prioritised differently in diverse cultures, making agreement on compromises and trade-offs difficult, and frustrating agreement on normative formulae to distribute benefits equitably, both immediately and across generations.

i. The European Experience
The experience of the European Union between 2009 and 2015 illustrates the challenges. As recently as 2007, some European scholars and politicians argued that Europe should act as a “normative power” to maintain its global role. Although the European Union represents the most advanced application of a new principle of shared sovereignty between states, and although the three-tiered governance system that has evolved in Europe has interesting parallels on the global scale, recent experience makes clear that it would be a step too far to suggest that the emerging (and continuously-challenged) European model has global application.

Indeed, divergent interests across the Union in the past seven years, not least between countries with severe fiscal deficits and those few running fiscal surpluses in the first years of the Great Recession, and differences in how values are prioritized by the populations and governments of Mediterranean
countries (Greece, and to a lesser degree Spain, Portugal and Italy), and northern European states (notably Germany), have led to great strains in the Union, and indeed the Eurozone, and threatened its survival.

In a powerful essay in 2009, Martin Wolf argued Germany’s twin over-riding strategic objectives in Europe – sound money and European integration, imperatives forged from the calamities of WW I, hyperinflation and the Great Depression, the rise of National Socialism and WW II – had come into conflict. Describing Berlin’s dilemma, he wrote, somewhat rhetorically, but not inaccurately:

“Is the right answer to rescue sinners, thereby strengthening the cohesion of the eurozone, but threatening monetary stability? Or is it to let sinners default, thereby strengthening monetary credibility, but weakening cohesion? Germany could avoid such choices before the single currency: Uncompetitive countries simply devalued.

“Unfortunately, the domestic German debate assumes, wrongly, that the answer is for every member to become like Germany itself. But Germany can be Germany – an economy with fiscal discipline, feeble domestic demand and a huge export surplus – only because others are not. Its current economic model violates the universalisability principle of Germany’s greatest philosopher, Immanuel Kant.”

Mr Wolf’s conclusion was blunt:

“Let me put the point starkly: Germany’s structural private sector and current account surpluses make it virtually impossible for its neighbours to eliminate their fiscal deficits, unless the latter are willing to live with lengthy slumps. The problem could be resolved by a eurozone move into external surpluses. I wonder how the eurozone would explain such a policy to its global partners. It might also be resolved by an expansionary monetary policy from the European Central Bank that successfully spurred private spending in the surplus countries and also raised German inflation well above the eurozone average.

“Germany is in a trap of its own devising. It wants its neighbours to be as like itself as possible. They cannot be, because its deficient domestic demand cannot be universalised. As another great German philosopher, Hegel, might have said, the German thesis demanded a Spanish antithesis. Now that the private sector’s bubble has burst, the synthesis is a eurozone fiscal disaster. Ironically, Germany must become less German if the eurozone is to become more so.”

To retain support from the citizens of multiple states, an economic union must enable the whole to be greater than the sum of its parts. The economic logic of the EU is that greater and most efficient movement of goods, services, capital and people between the national economies comprising the union, works to the [individual and] collective benefit of all these economies. Extending this principle leads to the conclusion that those economies running fiscal surpluses in 2010 – German, Austria, the Netherlands and perhaps Denmark – could afford to (and should, in the interests of the union) – adopt an expansionist fiscal stance to compensate for the contractive effects of the austerity measures that states with fiscal deficits needed to apply.

The fact that no fiscal expansionism was forthcoming from the states with fiscal surpluses, increased the Union’s reliance on monetary policy. After Germany’s efforts – notably through the Bundesbank – to block monetary easing by the ECB, failed, Bundesbank President Weber withdrew from the ECB succession, leaving the field to Mario Draghi in November 2011. The Bundesbank continued its
opposition to monetary expansionism\textsuperscript{ccliii}, but to no avail. The ECB, like the Federal Reserve before it (and before that, the Bank of Japan) ran up its balance sheet with national bonds to provide liquidity to states facing fiscal stringency, with ECB Chief Draghi pledging on July 26, 2012, "... to do whatever was necessary to protect the euro zone from collapse..." \textsuperscript{cclviii}

This means of addressing the problem by providing huge amounts of ‘cheap money’, inflated equity markets (and certain other asset classes) even as it drove down borrowing costs, without restoring activity in the “real” (as opposed to the “financial”) economy. It did not enable job creation, and drove up income and wealth inequality, as only those with ready access to the financial markets were able to benefit.\textsuperscript{cclix} In principle, of course, fiscal and monetary policy should be coordinated to achieve welfare, as fiscal policy has some impact on inflation, but a more significant effect on employment; while monetary policy may have some modest impact on employment, but a significant impact on inflation. Using the wrong tool for the task proved counterproductive.

Efforts at structural reform to enable fiscal transfers to support the Union, gained little traction, despite considerable efforts by the European Commission, notably by Vice President Viviane Reding: In February 2012, Reding challenged other European leaders to work towards a new design for the future of Europe\textsuperscript{cclx}, calling for transformation of the EU into a genuine economic, monetary and political union.\textsuperscript{cclx} This initiative led German Foreign Minister Guido Westerwelle to assemble a group of European foreign ministers to reflect on the future of Europe\textsuperscript{cclxi}; and served to inspire the report by Herman Van Rompuy to the European Council in June 2012, calling for a true *Economic and Monetary Union*.\textsuperscript{cclxii}

In September 2011, EC President José Manuel Barroso discussed many of the same ideas in his State of the Union speech in Strasbourg\textsuperscript{cclxiii}, while Reding spoke on the *Future of Europe* in Tallinn, Estonia at the XXV Congress of the *Fédération Internationale du Droit Européen* in May 2012\textsuperscript{cclxv}, and again in November 2012 in Passau\textsuperscript{cclxvi}. She continued with a series of articles and interviews calling for a *United States of Europe*, in line with the *Blueprint for a Deep and Genuine Economic and Monetary Union* published by the European Commission on 30 November 2012.\textsuperscript{cclxvii}

In September 2012, seeking popular support, Reding also initiated *Citizens Dialogues* engaging European politicians with citizens in town-hall meetings beginning in Cadiz and extending across Europe in 2013, the *European Year of Citizens*.\textsuperscript{cclxviii}

In September 2012, seeking popular support, Reding also initiated *Citizens Dialogues* engaging European politicians with citizens in town-hall meetings beginning in Cadiz and extending across Europe in 2013, the *European Year of Citizens*.\textsuperscript{cclxviii}

The second blow to European unity arose from Chancellor Merkel’s humane stance in 2015, in favour of the right of temporary and even permanent asylum in Germany, for refugees fleeing war in Syria, Afghanistan and Iraq.\textsuperscript{cclxix} Once again, it reflected divergent interests and different values. German’s institutions and its economy, as the Chancellor knew, were quite capable of absorbing the number of refugees crossing its borders. The Chancellor’s Protestant family values seem also to have contributed to her stance. During a visit to a centre for asylum seekers in Heidenau after rioting by right wing extremists in August 2015, facing placards accusing her of betraying the German people, she said:

“There can be no tolerance of those who question the dignity of other people. There is no tolerance of those who are not ready to help, where, for legal and humanitarian reasons, help is due."\textsuperscript{ccclxx}
The governmental and social institutions of smaller European countries to the south and East of Germany, and in the flood path of the refugees, were appreciably less robust than those of the Federal Republic, however, and government leaders in Hungary, Slovenia, Croatia, Greece and Poland, among others, adopted markedly different stances, after some national systems were overwhelmed by the refugee flows.

The tensions occasioned by this divergence of interests, and differences of values, contributed significantly to lowering the appeal of the European project among significant segments of the citizenry, and to the growth of the nativism and populism now apparent. While the vote in favour of BREXIT in 2016 owed a great deal to the United Kingdom’s long-standing ambivalence about its relationship with continental Europe, and its refusal to integrate fully, avoiding the Eurozone and retaining the Pound sterling, its roots also lie, in part, in this fracturing of the Union along lines of interests and values. Migration from Europe in the context of open borders under the Schengen Agreement had become a sensitive topic well before the BREXIT referendum.

While BREXIT, and related domestic challenges within the Eurozone and the European Union cannot be underestimated, it is quite possible that these mature national and regional institutions will find an appropriate balance between national and European competences, perhaps by rediscovering subsidiarity, and some variation on “variable geometry and varying speed”. Their origins and persistence make clear, however, the difficulty of achieving collective action at scale, between states with divergent interests and differing values.

The conflicts in North Africa the Levant, however, and, more significantly, confrontation with the Russian Federation over Ukraine, require the EU to adopt a more united and focused approach. The Union for the Mediterranean, the European Neighbourhood Policy, the Eastern Partnership, and Black Sea Synergy were seen just five years ago as key elements of the EU’s Common Foreign and Security Policy. If the attention of the European Union is diverted by serious tensions on its eastern and southern borders, and cohesion is weakened among European institutions and national governments, the security of the region will be put substantially at risk, and the ambitions of the past half century called into question.

ii. The G20

The G20 is an international forum for the governments and central bank governors of 20 major economies, founded in 1999 to enable high-level discussion of policy issues affecting international financial stability. The G20 heads of state or government meet periodically at summits, preceded by separate meetings of finance ministers and central bank governors. Collectively, the G20 economies account for over 85 percent of the gross world product (GWP), some 80 percent of world trade, and two-thirds of world population.

The G20 faces substantial challenges in delivering effective global economic governance. Achieving that would require policy coherence and sustained and consistent implementation. As the G20 Presidency rotates annually from country to country and there is no formal Secretariat – whose creation is opposed by several leading states – each country assuming the Presidency seeks to promote a distinctive agenda, making it difficult to achieve coherence across Presidencies.
The “G20 Troika” – comprising the past, current and following G20 Presidency – is meant to promote consistency, but there are few established mechanisms that allow for systematic pursuit of policy proposals from one G20 Presidency to the next, for analysis and assessment. Policy themes developed around each Summit, are often abandoned, or at least deprioritized, during the next Presidency.

Efforts to use the G20 to strengthen the structure and systems of global governance have disappointed in the years since the millennium, because they have assumed either the universal application of Western values, or a greater degree of normative coherence between state actors than actually exists. The Principles of the Charter for Sustainable Economic Activity, drafted by the G20 sherpas and released, in modified form, as an annex to the G20 Leaders’ Statement after the Pittsburgh Summit in September 2009, is a case in point.

The effort was laudable: Clarifying general and specific principles to guide the individual and collective behaviour of governments committed to restoring global economic stability, was clearly desirable. The ILO, IMF, OECD, World Bank and WTO had been invited by the 2008 G8 Summit in Hokkaido Toyako, “...to enhance their cooperation and to improve coherence”. Chancellor Merkel had suggested on February 5, 2009, that these five agencies might contribute to the development of a Global Charter, by developing an inventory of existing economic and social instruments. Italian Minister of Finance Giulio Tremonti subsequently launched an initiative to promote a global Legal Standard for sound, ethical business behaviour. The working draft of the Principles of the Charter, drafted by the sherpas, made it clear that the Charter would not be legally binding, but it nonetheless proved impossible to reach agreement on a text. Instead, the G20 Leaders recognised “that there are different approaches to economic development and prosperity, and that strategies to achieve these goals may vary according to countries’ circumstances,” while agreeing that “certain key principles are fundamental”, and committing to respect certain “core values”. There are echoes of this approach in Professor Wang Wen’s discussion of the need to recognise the reality of diversity, in his paper on China’s evolving role in global economic governance.

### iii. Recommendations by the Oxford Martin Commission for Future Generations:

The Oxford Martin Commission for Future Generations, convened in 2012, and chaired by Pascal Lamy, former Director-General of the World Trade Organization, also argued for urgent reform to address key global challenges. At the launch of the report in October 2013, Lamy called for “creative coalitions, reinvigorated institutions and renewed methods to value the future”; and said that the absence of a collective vision for society undermined our ability to address today’s global challenges. He argued that our structures and institutions are poorly equipped for 21st century challenges, as those with a diminishing stake in the global economy retain disproportionate power, while many significant emerging powers are shut out of key decisions. He called for change to reflect current and future needs.

Among the measures recommended in the Commission’s report are:

- Creating a coalition of G20 countries, 30 companies, and 40 cities to counteract climate change;
- establishing a Voluntary Taxation and Regulatory Exchange to address tax abuse and avoidance and harmonise company taxation arrangements;
• establishing sunset clauses for publicly funded international institutions to ensure they are fit for purpose in the 21st century;
• introducing CyberEx to promote better understanding of cyber threats, identify preventative measures, and minimise future attacks;
• removing perverse subsidies on hydrocarbons and agriculture, and redirecting support to the poor;
• establishing a Fit Cities network, comprising food, beverage and alcohol providers and public health and city authorities, to reduce the burden on health systems in fighting non-communicable diseases;
• ending discrimination against future generations by revising discounting methods and adjusting them to take account of the uncertainties of the long term;
• establishing Worldstat for quality control on global statistics and better data collection; and
• investing in younger generations with conditional cash transfer programs and programs to reduce the scars of long-term unemployment and disconnection.

Despite the distinction of the members of the Commission, none of its recommendations has been implemented, or discussed for that purpose, by institutions of global governance. Those on climate change, tax avoidance, cyber threat, perverse subsidies, non-communicable diseases, conditional cash transfers, and the improvement of statistics, reflect activities already underway on local or national scales, or being coordinated by international bodies. The most remarkable proposal – that related to sunset clauses for publicly funded international institutions – has not secured approval, perhaps because of the vested interests at stake. The other interesting suggestion, on the need to revise discounting methods both for investments, and for the failure to make them, in the context of long-term uncertainties, has not attracted attention, although it had earlier been explored in the 2006 Stern Review of The Economics of Climate Change. The reason for the failure of the Commission’s report to have a significant impact, undoubtedly lies in the Chairman’s statement that the absence of a collective vision for society undermines our ability to address our global challenges.

d. How to proceed: Insights to inform action

It seems sensible to recognise that efforts to coordinate collective action between large numbers of states derive from the need for polities to compete and to collaborate, and that the forms that emerge from this interaction will be both similar, and different. It is naive to assume that one can reach agreement on all issues at a global scale, and honest investigation and reflection is needed to enable us to determine at what scales collective agreement on particular outcomes can be accommodated in collectively-agreed rules:

First, we need to invest in deeper understanding of the workings of the complex manmade and natural systems that define the environments that we seek to regulate, or in which we are embedded;

Second, we must investigate honestly the perceived interests and prioritised values of the political actors (chiefly states, but also multilateral institutions and non-state actors) whose agreement is necessary for coherent action in each key area, in the collective interest of all.

This might allow us to restore an appropriate measure of symmetry between economy, society and polity at national, regional and, perhaps, global scales. At present, as we have noted, considerable
financial and economic integration at a global scale, contrasts with substantial cultural diversity and social fragmentation, unmediated by a global polity. This leads to both real and perceived inequity, exacerbating cultural tensions, and giving rise to reactionary nativist and populist forces within different societies.

Dani Rodrik has argued that the pursuit of deeper global governance in the economic realm is neither practical – as political accountability lies at the national level, and with the exception of the European Union, is likely to remain there – nor even desirable. He proposes an approach “that safeguards the considerable benefits of a moderate globalization while explicitly recognizing the benefits of national diversity and the centrality of national governance.” He counsels a retreat from “hyperglobalization”, which he calls “a fool’s errand”. While acknowledging the need for global rules for the global commons, he argues that international economic arrangements should be limited to setting the rules for the interface between national institutions, to put globalization on a sounder footing. Rodrik elaborates on the application of these principles in respect of international trade reform, regulation of global finance, global labour mobility, and “accommodating China in the world economy”. While his proposals are interesting, it is his overarching thesis that demands attention:

“We can and should tell a different story about globalization. Instead of viewing it as a system that requires a single set of institutions or one principal economic superpower, we should accept it as a collection of diverse nations whose interactions are regulated by a thin layer of simple, transparent and commonsense traffic rules. This vision will not constitute a path towards a ‘flat’ world – a borderless world economy. Nothing will. What it will do is enable a healthy sustainable world economy that leave room for democracies to determine their own futures.”

The difficulty with Rodrik’s important insight is that it does not resolve the dilemma posed by the risk of a tragedy of the commons in the environmental realm. His case is narrowly focused on the global economy: he distinguishes between the instruments needed to address the challenges of the commons (freely acknowledging the insufficiency of national legislation on carbon emissions, and the incentive to free ride on the controls imposed by other states), and those required to manage the global economy.

Rodrik’s approach is both refreshing in its challenge the conventional wisdom of the merits (and alleged inevitability) of the global village and flat world; and disconcerting in that his focus on governance of the global economy distracts him from the economy’s entanglement with all other elements of reality. Long-standing traditions of disciplinary specialisation cause economists to focus exclusively on the economy, even as political scientists limit themselves to geostrategic challenges, earth and climate scientists to the environment and the biosphere, and sociologists to social interaction and tension. Deeply entrenched habits of thought have caused us to replicate these disciplinary distinctions in the institutions we have created at the national and international levels.

Rodrik’s prescription for governance of the global economy offers a path better attuned to our limited capacity to manage complexity, but it does not enable us to address the challenge of a growing, increasingly connected, culturally diverse, global population whose consumption, waste and CO2e emissions per capita are rising rapidly, and whose aspirations are climbing still faster, in an ecosystem with finite limits. Nor does it resolve the tensions wrought by shifts in geo-economic and geopolitical
power, and gaps in regional security architectures, exacerbated by ethnic identities sharpened by resource competition, demographic pressures and poor governance.

We still need to manage geopolitical challenges and the issues of the global commons. Most of these issues are impacted by, and affect, the workings of the global economy. That is the nature of the complex, adaptive system in which we exist. We need broadly accepted norms that can resolve the need for coordination and collective action, and mitigate clashes of interest, at appropriate scales.

The challenge in identifying, applying and enforcing these norms, is determining the proper reach of our ambition. Too narrow a scale – limiting normative and legal frameworks to culturally homogenous communities – enables widespread acceptance, but leaves many issues of the commons unresolved, potentially with disastrous consequences. Assuming that the preferred norms of any community – whether ethno-cultural, intellectual or national – are universal, and that they can be applied on a global scale, has proven counterproductive.

The proper scale is a function of the communality, or diversity, of the interests at stake, and the variety of the personal or communal values on which an agreed solution can be founded. While coercion – whether physical, economic or moral – has often been used over the course of history to impose outcomes on communities, it is more difficult for states to use that approach in a highly-connected and largely transparent world. While force is, and will be, used to punish those widely perceived to be a threat to society or the welfare of a community, this can only be done to those on the margins of each society – national, regional or global – if comity is to be maintained. For acceptable levels of social stability at any scale, the great majority of actors must accept the moral values on which the society is premised, and the norms it applies.

Assessing the appropriate scale at which agreement on any matter is possible, is therefore important, both in principle and in practice. An algebraic representation of the qualitative probability of success in multi-party negotiations, expressed as a function of the diversity of interests, and of relevant values, among the negotiating parties, could be computed for particular outcomes in respect of security, welfare and sustainability. A point of departure is provided in the Appendix. This is not to suggest, despite important advances in the computation of equilibria in multiplayer games, that human behaviour at scale can be reduced consistently to a series of mechanistic interactions leading to a mathematically predictable outcome. It is to encourage appreciation of the extent of the challenge represented by the interaction of scale and diversity, and to counsel prudence when embarking on efforts to craft agreements among large numbers of actors whose interests and values are dissimilar.

On the global scale, disagreements between permanent members of the UN Security Council, each with the ability to veto a resolution which it sees as damaging to its interests, are common, and have led to the right of veto being exercised frequently over seventy years. The requirement of consensus in the World Trade Organization, a rules-based organization where all decisions are made by the member governments, based on negotiations among members, has frustrated the conclusion of the Doha Round launched in November 2001. The report of the United Nations High-level Panel on Threats, Challenges and Change in 2004, led to no substantive results despite specific recommendations on UN reform in the section on A more effective United Nations for the twenty-first century. Delays in securing ratification of changes to the voting rights and quotas of state members
of the International Monetary Fund and the World Bank Group, led China to launch alternative, ‘complementary’ organizations.\textsuperscript{29c}

On the other hand, the negotiations in the COP 21 round under the United Nations Framework Convention on Climate Change, led to success in the Paris Agreement, facilitated in large part by the shift from common but differentiated responsibilities, formalized at the Earth Summit in Rio de Janeiro in 1992, to credible, nationally determined contributions (NDCs) which the parties have committed to execute, and to strengthen in future, while reporting regularly on their emissions and implementation efforts.\textsuperscript{30c} This tactical recalibration from obligations to contributions by then-Executive Secretary Christiana Figueres\textsuperscript{31c} enabled state parties to transcend earlier arguments between China and India, on the one hand, and the U.S. and European states on the other, about the putative obligations of different states, based on the carbon intensity of their development path in the past; and to focus instead on what each state was able to do to achieve an outcome that all recognised as necessary and desirable.

There is an important lesson in this experience: The national efforts in the period leading up to the COP21 in Paris were informed by what were perceived as common, rather than divergent, interests – averting the disastrous effects of excessive global atmospheric warming, while enabling economic development – thus facilitating agreement. As state parties determined the contributions to which they would commit, rather than having obligations imposed, they were inclined to engage constructively. Given the likely affordability of shifting from hydrocarbon-based electricity generation, to greater use of renewables, increasing over time, states were more willing to commit to strengthen the commitments they tabled in Paris, in future.

Likewise, the adoption of seventeen Sustainable Development Goals (SDGs) comprising the 2030 Agenda for Sustainable Development adopted by all member states in the UN General Assembly in September 2015, represent a substantial achievement, like the earlier adoption of the Millennium Development Goals at the World Summit at the United Nations in September 2005. The SDGs, aimed at ending all forms of poverty, fighting inequality and tackling climate change, build on the Millennium Development Goals in promoting inclusive action to promote prosperity, while protecting the planet. Like the national contributions to which states committed in the Paris Agreement on climate, the SDGs are not legally binding, but governments are expected to establish national instruments to enable the Goals to be achieved. States bear responsibility for implementing the Goals, based on effective data collection and analysis, which will feed into regional reviews, and enable consolidation at the global level.\textsuperscript{32c}

The adoption of these bottom-up approaches accords with the tentative conclusions that have emerged from the research into the different national perspectives on environmental sustainability, socio-economic equity and human, national and global security, and the range of cultural values and necessary global norms, that the Foundation has undertaken over the past five years. This research suggests that a triadic structure of governance is likely to be most effective at a global scale, maintaining as much responsibility as possible for decision-making and implementation at national (and even sub-national) levels, and consolidating responsibility at regional and global levels for only the most urgent, and systemically important issues. This approach, premised squarely on the principle of subsidiarity, would:
• Address key global public goods (climate, oceans, biodiversity and related planetary boundaries) and behaviour that would threaten a tragedy of the commons, through supranational systems, capitalising on individual national commitments constructed within a shared framework;
• actively facilitate closer cooperation and harmonization of rules on human rights, trade, financial flows and security (including weapons of mass destruction, terrorism, and pandemic control) through international conventions and treaties, whose premises are negotiated and agreed on the same basis of shared responsibility; and;
• encourage commitments to common objectives in other areas of collective benefit, without creating institutions to control or enforce compliance.

e. Building on Success: A Global Conference on the World in 2030

How are we to achieve this desirable outcome in a world that is showing signs of increasing fragmentation? One means would be expressly to acknowledge the risk of fracture that we presently face, and to convene an international conference within the UN framework to address it. The founding principles would be similar to the approaches taken in the MDG Summit, the climate negotiations leading to the Paris Agreement, and the evolution and acceptance of the SDGs – recognising the need for a new world order that maintains the best of the past, while explicitly addressing the needs of the present and the future.

Each state would be encouraged to enter the talks by transparently defining and motivating an end state for the global order in 2030, without explicit reference to present structures or systems. The topics of the Global Agenda explored in this research series – balancing environmental sustainability with equitable socio-economic advancement, and human, national and global security – would provide a comprehensive frame of reference. The work already done in defining the SDGs and Agenda 2030, associated with emissions targets defined in the Paris Agreement, can serve as useful building blocks. The aim would be to reach agreement on an end state in 2030, and on specific outcomes associated with it, before discussing the preferred means of achieving that result. National and regional consultations, similar to those undertaken in constructing the SDGs, would play an important role.

If each state engages in the conference with integrity, by transparently clarifying its objectives, and motivating these clearly to enable its neighbours, and other states with regional and global influence, to understand them, considerable reciprocal learning will be possible, disposing, at least in part, of counterproductive prejudice and mutual suspicion. This is likely to spark wider debate within many national societies, potentially undercutting the dangerous fact-free populism apparent in too many at present. The discussions could also clarify the values that motivate the objectives of each state, and shed preliminary light on the global norms and legal instruments that could advance them.

If broad agreement is reached on the defining elements of an end state in 2030, discussions on how to achieve that agreed outcome will become more constructive. Discussions on strategy are only possible after achieving clarity on goals. Disagreement on the goals makes it impossible to align on a strategy. Experience in applying this approach in conflict management and resolution, moreover, teaches that even conflicted actors engage more constructively in discussions on strategy when they have reached prior agreement on the goals that all seek.
The ambition of such an international conference is necessarily large, but no larger than similar endeavours in the aftermath of great conflicts. The negotiations leading to the Treaty of Augsburg (1555), the Peace of Westphalia (1648), and to the reconstruction of the European order at the Congress of Vienna (1815), and in the Treaty of Versailles (1919); and of the global order at Bretton Woods (1944) and San Francisco (1945), were equally challenging. The key question is whether we can summon the will to create a more fitting order that will enjoy wider support, and be capable of effective execution, before we confront a larger catastrophe.

Building on what has been achieved in the *Millennium Development Goals*, the *Paris Agreement* and the *SDG Agenda 2030* in the past two decades, there is reason to believe that we can. Prevarication in a highly connected and complex world, characterised by profound asymmetry between an integrated global economy, fractured society, and inadequate polity, is increasingly dangerous. The interplay between long-range geo-economic trends, geopolitical tensions, and domestic social inequality and anger, exacerbated by the technological revolution presently underway, is fracturing national societies and weakening representative democracy. We need urgently to strengthen governance at all important scales, improve collaboration on *common goods* and craft intelligent responses to terrorism, violent extremism and organised crime. Time is of the essence.

ZÜRICH
November 28th, 2016
ENDNOTES

i It is estimated that the percentage of people aged 60 or over will rise from 11.7% (2013) to 21.1% (2050).


iii The percentage of persons inhabiting urban areas will rise from >51% of 7.2bn (2014) to 67% of 9.4bn (2050).


v United Nations, Department of Economic and Social Affairs, Population Division (2014), op. cit.

vi WBCSD, Energy Efficiency in Buildings; Business realities and opportunities, October 2007, p 28

vii U.S. Environmental Protection Agency: http://www.epa.gov/heatisland/


ix United Nations, Department of Economic and Social Affairs, Population Division (2014), op. cit.


xiv The term was coined by France’s Foreign Minister Hubert Vedrine in 1999 – see http://www.nytimes.com/1999/02/05/news/05iht-france.t_0.html


xvi http://survey.telefonica.com/globalreports/


xviii http://www.newsmax.com/Newsfront/donald-trump-campaign-style-debates/2015/06/19/id/651351/;


xxii https://www.foreignaffairs.com/articles/2015-12-12/fourth-industrial-revolution

xxiii Martin Hirt and Paul Willmott, Strategic principles for competing in the digital age, McKinsey Quarterly, May 2014

xxiv The amount of time before half of knowledge in an area is superseded or shown to be untrue (Fritz Machlup (1962)

xxv Despite advances in robotics, Nissan still uses low-cost labour for auto-assembly in India in 2014.


xxvii http://www.brookings.edu/research/reports/2013/01/foresight-africa-education-watkins

xxviii A mismatch in time between the adoption of new disruptive technologies, and their acceptance by the societies affected by them.

Despite an upturn in 2013, trust in government, measured by the Edelman Trust Barometer in 20 leading economies, was only 48 percent in aggregate. (It was 38 percent in 2012.) China, India, UAE, Singapore, Indonesia and Malaysia top 60 percent, while Mexico, Hong Kong, Canada, Brazil and the Netherlands are between 50-60 percent. http://www.slideshare.net/EdelmanInsights/global-deck-2013-edelman-trust-barometer-16086761

Ethical, ideological and aesthetic values are embedded in individuals by nurture, schooling and experience, serving to guide personal behavior and maintain equilibrium. Certain physiologically determined values are common to most humans, including the desire to avoid pain, to seek pleasure, and to acquire assets for survival. Others, including ethical values, are aligned with individual beliefs and communities, and thus vary across cultures and between individuals. The values of persons within groups, societies and cultures are largely common to their members, being transmitted through schooling and reinforced by social norms. Values that are shared by the members of a group are associated with circumstances that its members consider important for their identity and survival. Values thus both derive from, and inform, the norms of a society or group.

Social norms are the explicit or implicit cues within a society that clarify and enforce appropriate values, beliefs, attitudes and behavior. They represent collective expectations about proper behavior for a given identity. Deference to social norms within a group enables acceptance by other members, while flouting them results in criticism, ostracism and sanctions, and may lead to expulsion. Within a group, norms promote coherent behavior, allowing members to predict the responses of others. Social norms vary between groups and evolve over time, often differing from one age group to another. Most individuals today belong to many social groups at the same time. Some normative behaviors expected of members in one group may differ from those expected in another, and some of the norms of any group may differ from the personal values of a member when [s]he is outside that group. As long as the contrast is not too great, however, individuals can reconcile the differences.

Law is a system of codified social norms, applicable to the whole of a society and enforced through its institutions. The law clarifies the rights and responsibilities of members, balancing their interests, and regulating the behavior of individuals and groups in line with that balance. The society to which the law applies, in our era, is usually the persons present on the national territory of the lawmaker, and subject to the jurisdiction of its courts. There are some exceptions to national jurisdiction, including diplomatic and consular immunity, public international law, and the extraterritorial reach of certain taxation regimes.

Political systems allow individuals, with different interests, to live together in society. The political system of a society reflects the values of its members and the norms they employ to promote appropriate behavior. All political systems have six functions: (i) to allow for the expression of diverse needs and interests; (ii) to aggregate similar needs and interests and facilitate reconciliation of those that diverge; (ii) to make explicit the normative context within which the expression, aggregation and reconciliation will occur; (iv) to elevate certain norms to the status of laws and attach penal sanction to their violation; (v) to provide institutions to implement the laws; and (vi) courts whose legitimacy is widely accepted, to adjudicate cases where rights are disputed between persons, or between one or more persons and the state. The social norms of each (national) society thus provide the bedrock of its political system. When a national executive, a legislature or a judiciary is seen to deviate from the norms of the society it purports to govern, social tensions erupt. In extreme cases, these may either displace the government, or force political reform.


Lord Jonathan Sacks argued in The Dignity of Difference, Continuum 2002: “The world is not a single machine. It is a complex interactive ecology in which diversity – ideological, personal, cultural and religious – is of the essence. Any proposed reduction of that diversity through the many forms of fundamentalism that exist today – market, scientific or religious – would result in a diminution of the rich texture of our shared life, a potentially disastrous narrowing of the horizons of possibility. Nature, and humanly constructed societies, economies and polities, are systems of ordered complexity. That is what makes them creative and unpredictable. Any attempt to impose on them an artificial uniformity in the name of a single culture or faith, represents a tragic misunderstanding of what it takes for a system to flourish. Because we are different, we each have something unique to contribute and each contribution counts. A primordial instinct going back to humanity’s tribal past makes us see difference as a threat. That instinct is massively dysfunctional in an age in which our several destinies are interlinked.”
“Plato’s assertion of the universality of truth is valid when applied to science and the description of what is. It is invalid when applied to ethics, spirituality and our sense of what ought to be. There is a difference between physis and nomos; description and prescription, nature and culture, or to put it in biblical terms – between creation and revelation. Cultures are like languages. The world they describe is the same, but the ways they do so are almost infinitely varied. ... Each language is the product of a specific community and its history, its shared experiences and sensibilities. There is no universal language.... What we cannot do is place ourselves outside the particularities of language to arrive at a truth, a way of understanding and responding to the world that applies to everyone at all times. That is not the essence of humanity, but an attempt to escape from humanity.”

The key conclusions from the research papers on Russia, China, and in the Islamic world, and the trans-civilizational, substantially Western-influenced paper by Dr Katherine Marshall is that, on the surface, many of the underlying values - reciprocity, the Golden Rule, ren/shu, justice (adl) mercy (rahma) - are broadly similar in these societies. Even the Chinese traditional ethos - ren (kindness), yi (righteousness), li (propriety), zhig (wisdom), and xin (trustworthiness) - is intelligible to other cultures, at least at a superficial level. The concepts of “ultimate goodness” (zhī yú zhì shàn) and “the course of the Mean” (zhòng yòng), are indeed elusive, but not necessarily more so than Aristotle’s “golden mean” (the desirable middle between the extremes of excess and deficiency, which the Greeks saw as an attribute of beauty, defined by symmetry, proportion, and harmony), or the Buddhist concept of the Middle Way.

Likewise, the principle that, in Islam, divine sovereignty is expressed through the collective vicegerency (khilāfah) of the community, and the supremacy of shari’a, God’s Law, is not difficult for anyone schooled in the Judaico-Christian precepts of European civilization. The concept that, as a part of that collective vicegerency, each individual has the right to participate in the community, and that each voice must be heard, are likewise familiar. The classical legal requirements for Islamic statehood are shura (consultation), ijma’ (consensus) and bay’ah (legitimacy arising from the allegiance of Muslims), all of which can be accomplished through democratic elections and parliamentary processes.

The principle of Islamic jurisprudence that the supremacy of God’s Law is effected through the rulers’ fulfilling the six objectives of Islamic law (al maqāsid al-shari’a) - the protection, preservation and advancement of life (nafs), religion (din), family/progeny (nasl), mind (‘aql), property (mal), and dignity (‘ird/karāmah), interpreted by a judiciary independent of the political authority – is quite familiar, again superficially, to a Western, and perhaps a Chinese jurisprudent.

Other common references include Hillel (Shabbat 31a), in the Talmudic tradition; Pope Francis’ 2015 encyclical Laudato Si; Gandhi’s catalogue of Social Sins (1926), the Buddhist noble eightfold path (āryāṣṭāṅgamārga) – the fourth of the Buddha’s Four Noble Truths – and the ladder of meritorious acts proffered by Rabbi Moses ben Maimon (Maimonides) in the 12th century.

While identifying communalities between the value systems of different religions and civilizations is important, there is a risk that emphasising what is common can conceal what is different, and lead to illusions of identity that are doomed to failure. Professor YANG Huilin and Dr ZHANG Jing have argued: “…while ‘constructive global coexistence’ should be based on shared values, egocentric assertion of our own values as those shared by all human beings, divorces us from the true meaning of “value.” The significance of value does not depend on endowing nouns arbitrarily with meaning, but on the process that generates the value. It is not a matter of sharing values as nouns, but one of participating in sharing, in making values “sharable.”

We are, of course, served by a corpus of formal Public International Law, both “customary” and treaty-based, often applied by courts in national jurisdictions, and capable of adjudication in certain, well-defined cases by international courts – the international Court of Justice, and the International Criminal Court established under the Rome Statute – as well as regional courts with transnational jurisdiction, notably in the European Union. The reach of Public International Law is, however, not commensurate with the normative principles that inform the political systems of national societies.

The Central Treaty Organization (originally the Middle East Treaty Organization, or the Baghdad Pact) was adopted in 1955 by Iran, Iraq, Pakistan, Turkey and the United Kingdom and dissolved in 1979.

The Southeast Asia Treaty Organization was an international organization for collective defence in Southeast Asia created by the Southeast Asia Collective Defense Treaty, or Manila Pact, in September 1954. Its members
were Australia, France, New Zealand, Pakistan (including East Pakistan, later Bangladesh), the Philippines, Thailand, the United Kingdom, and the United States. SEATO was established on February 19, 1955 and dissolved on June 30, 1977.

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xvii Francis Fukuyama, The End of History and the Last Man, Penguin, 1992
xviii Thomas Friedman, The World is Flat, Farrar, Strauss and Giroux, 1995
xix President GHW Bush, September 1991, in an address to the Joint Houses of Congress on the eve of the first Gulf War, after meeting Mikhail Gorbachev in Helsinki.

l The first time was after WW I, when President Woodrow Wilson dominated the proceedings at Versailles; the second after WW II when Presidents Franklin Delano Roosevelt and Harry Truman were equally influential.

ii Henry Kissinger, Diplomacy, Simon and Schuster, 1994, p. 805

It is worth recalling that Asia contributed well over 50 percent of global GDP until 1820, and that Europe exceeded Asia's share for the first time in the 1860s.

iii Samuel Huntington, The Clash of Civilizations, Foreign Affairs, September 1993

iv A Salafi takes the pious forefathers (the first three Muslim generations: the Sahabah ("companions"), the Tabi'oun ("followers") and the Tabi' al-Tabi'in ("those after the followers") as exemplary models: See Salafipublications.com: The Principles of Salafiyyah: "It means adherence to the Path of the Messenger, may the peace of Allah upon him, and the Faithful Believers, namely the Pious Forefathers (i.e. As-Salaf as- Saalih) of the Islamic Community of Believers and all those who follow in their footsteps in belief, actions and morals."

v After an extensive analysis of Ibn Taymiyah's writings, Yahya Michot argues that he was in favour of resisting foreign invaders but rejected internal rebellion and insurgency, See Yahya Michot, Muslims Under Non-Muslim Rule, Oxford: Interface Publications, 2006


vii Vladimir Putin Meets with Members the Valdai International Discussion Club. Transcript of the Speech and Beginning of the Meeting, http://valdaiclub.com/politics/62880.html


ix The fifteen decades after the conclusion of the Peace of Westphalia in 1648, preceded by the Peace of Augsburg (1555) (cuius regio, eius religio, being the defining principle); and the almost ten decades after the Congress of Vienna, are illustrative examples in Europe.


xi Garrett Hardin, The Tragedy of the Commons, Science Vol. 162, No. 3859

xii The 17th century saw the establishment of a binding normative framework in Europe. First, the Peace of Augsburg, a treaty between Charles V and the Schmalkaldic League of Lutheran princes, on September 25, 1555, officially ended the religious struggle between Catholic and Lutheran princes, and effected the legal division of Christendom in the Holy Roman Empire, in accordance with three principles: (i) Cuius regio, eius religio established religious unity within a principality by making the religion of the prince that of the state and its inhabitants. Any subject who did not wish to accept the prince's religion could leave the State. (ii) The reservatum ecclesiasticum provided that if the prelate of an ecclesiastic state changed his religion, the inhabitants of that state had no obligation to follow him. If they did not, the prelate was expected to resign his post. (iii) The declaratio Ferdinandeii (which was kept secret for some two decades) exempted knights and...
some Lutheran ecclesiastical cities from the obligation of religious uniformity, if Lutheranism had been practiced there since the mid-1520s.

The provisions of the Augsburg Settlement did not include Calvinists or Anabaptists, however, so many Protestants living under Lutheran princes were still exposed to the charge of heresy, and did not achieve legal protection until the Peace of Westphalia in 1648, which extended the terms of the Augsburg Settlement to all Christians. The intolerance towards Calvinists led them to take desperate measures that gave rise to the Thirty Years' War in 1618.

Lex naturalis, the content of which is set by nature and thus universal. It is derived by reason to analyze and define the accidents of human nature and thus to deduce binding rules of moral behavior. It is contrasted with positive law, which is human-made, contextual and subject to change. The Stoics argued that the fundamental principles that underpin the legal systems of all nations constitute natural law. Roman law postulated a common code regulating the conduct of all peoples alongside the positive law applicable in specific locations. Thomas Aquinas asserted that lex naturalis was common to all peoples – Christian and non-Christian – while revealed law gave Christians further moral guidance. Natural law was the basis of Grotius’ international law. Spinoza and Leibniz saw it as the basis of ethics and morality; Rousseau relied on it to provide a basis for democratic and egalitarian principles. The influence of natural law theory waned in the 19th C due to positivism, empiricism and materialism, but especially Immanuel Kant. (Kant, 1. 1781/1787. Kritik der reinen Vernunft. Kant, 1. 1783: Prolegomena zu einder jeden kunftigen Metaphysik.)

Grotius (Hugo de Groot), lived from 1583 – fifteen years after the Netherlands began its Eighty Years War of independence from Spain – to 1645, three years before it ended with the Peace of Westphalia in 1648. All but the last three years of the Thirty Years War (1618–1648) fell within his lifespan. Grotius’ greatest work, De jure belli ac pacis, published in Paris in 1625, set out the principles of the lex naturalis, or natural law - believed to binding on all, irrespective of their culture or religion – that governed (i) the circumstances in which a resort to war was justified (ius ad bellum), and (ii) the rules governing its conduct (ius in bello), once hostilities were engaged. Grotius founded his argument on the lex naturalis, recognized by educated Europeans as binding on all. He thus established an extensive normative paradigm, accepted as binding by all European princes, which also had a profound, foundational influence on the subsequent development of public international law. The significance of De iure bell i ac pacis lies not in its enforceability – the distinguishing aspect of law – but in its normative importance. It shaped the behavior of European courts, and of those who came into contact with them, from the 17th century onwards, and laid the foundations of the Geneva Conventions two and a quarter centuries later, and over the century following that.

It would be a mistake however, to believe that European leaders were inherently more advanced in this realm. Indeed, many of the principles of war were already widespread. In the early 7th century, the first Rashidun Caliph, Abu Bakr, laid down civilized rules of warfare for his armies. Islamic legal treatises on international law from the 9th century onward applied Islamic military jurisprudence to international law, regulating conduct on the battlefield; respect for treaties; the treatment of diplomats, hostages, refugees and prisoners of war; the right of asylum; the protection of women, children and non-combatant civilians; the use of poisonous weapons; and restrictions on the devastation of enemy territory. Muslim armies in the Crusades, notably those commanded by Salah al-Din Yusuf ibn Ayyub and Sultan al-Kamil, applied these laws. There are, moreover, similar writings by Hindu and Chinese authorities.

Plato has Socrates declare in The Republic, that the human soul has three parts – the desiring eros; the spirited or prideful thymos; the rational nous. Thucydides extrapolates from this that society is motivated by fear, honour and interest. Over 2000 years later, the British military historian, Basil Liddell Hart observes that the causes of war – economic, psychological and personal – arise from the ambitions and defects of those who have power to influence the currents of nations. Aristotle, meanwhile, had argued that man is conjugal (born to couple as an adult, to build a household [oikos] and, in more successful cases, a clan or small village organized on patriarchal lines); political (with a propensity for more complex communities, based on a division of labour, and well-defined laws); and mimetic ("We enjoy looking at accurate likenesses of things which are themselves painful to see, obscene beasts, for instance, and corpses….we enjoy seeing likenesses [because], as we look, we learn and infer what each is..."). Modern anthropological study of “human universals” – defined by a single distinct median and a small standard deviation around it –suggests six distinguishing human characteristics - playfulness involving imagination; an epicurean propensity due to cooking, which delivers more calories with less chewing, enabling the evolution of larger energy-hungry brains and social culture; clandestine sexuality, based on continuous female receptivity and concealed ovulation; knowledge defined by epistemological categorisation, prediction and experimentation; language-based rule-setting, involving norms, taboos and etiquette; and extensive communication, employing language-based compliments, insults, folklore and prophesy, and enabling to medicine, education and trade. Although John Locke, in his Essay
Concerning Human Understanding, postulated that the human mind was a tabula rasa at birth, devoid of innate ideas, and particularly, moral ideas, which thesis was developed by the mid-20th century behavioralists Watson and Skinner, modern cognitive neuroscience suggests that there are a number of species-typical forms of [human] cognition, and indeed, species-typical emotional responses to cognition. This suggests that there may be innate human emotional responses that guide the formation of moral ideas, like reciprocity, affinity with genetic offspring, etc.


\[lxviii\] Formalised religion, military tradition and display, ethnic celebrations and the trappings of nationalism, supported by monumental architecture, symbolic artefacts and ceremonies, are necessarily employed to effect bonding among larger groups.

\[lxix\] When empires fragmented and nation-states were born in Europe and Latin America in the 19th century, the new national elites developed new combinations of these elements, to manage the new societies. So did states in Asia and Africa after their emergence from colonialism after WW II. Not all succeeded in making these political systems resilient.


\[lxxi\] Klotz, op. cit. (1995), p24-24, discusses three transmission mechanisms linking norms and policy choice: community and identity; reputation and communication; and discourse and institutions, but these are potential, not inevitable, paths, only discernible *ex post*.

\[lxxii\] Jeffrey T. Checkel, *International Norms and Domestic Politics: Bridging the Rationalist-Constructivist Divide*, European Journal of International Relations 3 (December 1997)

\[lxxiii\] International bureaucrats, diplomatists, international lawyers, active supporters of the agendas of leading non-governmental organisations might be examples.

\[lxxiv\] In his review paper on the constructivist schools, Checkel (op. cit., 1996) notes: “Although Finnemore is not explicit ... one can infer from her empirical chapters that normative effects are limited to state bureaucrats (Finnemore, chaps. 2, 4). In the Katzenstein volume, some authors find norms held broadly within a polity (Berger on postwar Germany and Japan), while others see their effects confined to political and academic elites (Herman on the USSR) or to state decision makers (Risse-Kappen on NATO; Katzenstein, chaps. 9, 8, 10). Klotz’s cross-national design uncovers evidence of normative effects at the level of political elites in one instance (the U.S.); in her British case, however, such influences are partly blocked by deeper, historically constructed national discourses (Klotz, chaps. 6, 7).


\[lxxvii\] Child (1954) describes socialization as “the whole process by which an individual, born with behavioural potentialities of enormously wide range, is led to develop actual behaviour which is confined within a much narrower range – the range of what is customary and acceptable for him according to the standards of his group.” (p.655) cited in Segall et al. (1990) p. 23

\[lxxviii\] Herskovits (1960) used the word for the first time: “This is in essence a process of conscious or unconscious conditioning, exercised within the limits sanctioned by a given body of custom.” (p.40)


\[lxxxi\] Sedentary societal characteristics are correlated with high food accumulation, relatively high population density and technological development. Migratory characteristics are correlated with low food accumulation, low population density and less technological development. Without generalising about the direction of causality, one can observe that ecological factors influence food production and thus the ability to accumulate, which disposes either to sedentary or migratory characteristics. This affects population density, patterns of habitation, task specialisation, gender roles and kinship structures. See further Herskovits (1960) and Segall et al. (1990), p. 20


\[lxxxi\] http://cic.es.its.nyu.edu/publications/meeting-summary-updating-rules-and-infrastructur...
The doctrine of Responsibility to Protect, a deviation from the earlier principle of the sovereign immunity of states.


https://www.stimson.org/content/commission-global-security-justice-governance-0  Accessed 20161119

See Ikenberry 2009a.

Bailey, Streznev, and Voeten 2015.

The ideal points are estimated with methods that scholars use to estimate how liberal or conservative senators are based on their voting records. The UN General Assembly is not a global legislature but states have regularly over a long period of time revealed their positions there on a wide variety of issues.

These ideal point estimates can be compared over time. Naïve measures, such as percent vote agreement with the U.S., risk confusing agenda change (e.g. more resolutions on Israel) and preference change. Recognising that some UNGA resolutions are identical across years, these resolution parameters are fixed to allows separation of agenda change from preference change.

Bosco 2013.

Ikenberry 2009a

The data come from the Correlates of War IGO project v3.0. coded according to the following criteria: (1) An IGO must consist of at least three members of the COW-defined state system; (2) An IGO must hold regular plenary sessions at least once every ten years; (3) An IGO must possess a permanent secretariat and corresponding headquarters; Pevehouse, Nordstrom, and Warnke 2004.

Brooks and Wohlforth 2008. A possible exception is smaller organizations like the Shanghai Cooperation Agreement.

Voeten 2011.

On this some liberal institutionalists (e.g. Ikenberry 2009b) and realists (e.g. Brooks and Wohlforth 2008) agree.

For a deeper exploration of this argument, see Voeten 2011.

Peake, Krutz, and Hughes 2012.


Kelley and Pevehouse 2015

ibid


Nielsen and Tierney 2003.

Einhorn 2001.

Lim and Vreeland 2013; Lyne, Nielson, and Tierney 2009

Lipsy 2015

Vreeland 2003

Lipsy 2015

The U.S. Congress approved a modest shift in IMF voting weights in late 2015; five years after the IMF’s Executive Board voted for the change.

Glennon 2010

Haas 1983

Voeten 2005

Unlike the U.S., which applied this tactic with some success in the mid-1990s seeking reform over membership dues: See Nossel 2001

Fortna 2008

Happold 2003

Kokott and Sobotta 2012

Delimatsis 2011

e.g. Weber 2010

Kreps 2011

Statement by the President on the Trans-Pacific Partnership https://www.whitehouse.gov/the-press-office/2015/10/05/statement-president-trans-pacific-partnership (accessed 10/16/2015)

For a similar logic, see Downs, Rocke, and Barsoom 1998
The US Foreign Corrupt Practices Act dates back to 1977. Bribes to foreign government officials were tax deductible in many European countries until the early 1990s. The OECD anti-bribery Convention dates to 1998.

For a critical perspective see Easterly 2009.

Drezner 2014

Pinker 2012

Carnegie 2015

C 362/14 Maximillian Schrems v Data Protection Commissioner, October 15, 2015.


op.cit., p. 52


op.cit., p.11


Global Problems for Global Governance, op. cit. pp. 67-68

War and Peace in the 21st Century, op. cit., p.4


This is reflected in more frequent references to “global governance” of President Vladimir Putin during different meetings, including his speech in the Russian Foreign Ministry on June 30, 2016 (though with some critical notes - www. Kremlin.ru/events/president/news/52298 - as well as of Premier Dmitry Medvedev in the context of economic and other global challenges (his articles in the magazine “Voprosy Economiki” [Economic Issues], No.10, 2015 and No. 10, 2016). Also, Foreign Minister Sergei Lavrov has addressed “global governance” in the context of different challenges – most recently climate change. These messages, in turn, particularly since 2015 has been translated by some analytical endeavours, like the Valdai Discussion Club.

cxlv This position is shared by the influential conservative anti-Western Izborsk Club in which S. Glaziev, Adviser to President Putin participates. www.izborsk-club.ru


cxlviii In September 2009, the G20 leaders announced that, henceforth, the G20 would be the “premier” forum for international economic cooperation. Before this announcement, it was widely accepted that the G7, a smaller group of advanced countries, held this position.


cxlix Hugh Jorgensen and Daniela Strube, “China, the G20 and Global Economic Governance,” Lowry Institute for International Policy, November 28, 2015, accessed August 30, 2016,

http://www.lowinstitute.org/publications/china-g20-and-global-economic-governance

cxlvii Put forward by Chinese president Xi Jinping in November 2012, the Chinese Dream is about Chinese prosperity, collective effort, socialism, and national glory.


Cl ix Xi Jinping, speech during the 10th G20 Summit, November 16, 2015.


Cl xvi Rome Stature, Articles 8(d) and (e).


Cl xvi This point is made powerfully in Devesh Kapur, “International Financial Institutions and Arrangements,” in Sidhu, Mehta, and Jones, Shaping the Emerging World, 237–60.

Cl xvi For an exposition of this idea, see the speech given by the Indian foreign secretary in Singapore, July 20, 2015, accessed September 19, 2016, http://mea.gov.in/Speeches-Statements.htm?dtl/25493/IISF_Fullerton_Lecture_by_Foreign_Secretary_in_Singapore.

Cl xvi Sachs (1989) deserves special mention both as an early study of this subject and as a thorough examination of perspectives that are not well covered in the present article. Rather than starting from dysfunctional populist policy, Sachs focuses on social conflict as a primary object from which populism (but also European social-democracy) arises.

Cl xvi In this very same way, systems theory is neither a top-down theory of epistemology nor a research methodology built from first principles, but an array of coherent theories, encompassing approaches as diverse as those of Alfred North Whitehead, Ludwig von Bertalanffy, Niklas Luhmann and Stuart Kaufmann, that are tightly coupled by a few key concepts (including the very concept of “coupling”). A detailed review of its concepts would, of course, fall outside the scope of the present article, which works instead from a minimal,
uncontroversial concept of “systems thinking” that enables us to encapsulate the macroeconomics, the politics and the coordination features of our problem space.

Indeed, some of the literature on the macroeconomics of populism in classical papers such as Edwards (1991) even makes a clear point of excluding outright socialist revolutions (such as Allende in Chile) from its case studies on populism. This methodological choice emphasizes the specificity of populism at the risk of overemphasizing Latin American revolutionary rhetoric and underrating how typical the macroeconomic policies these governments are.

Jorge C. Casteñada, *Latin America's Left Turn*, Foreign Affairs, 2006


Ideology only corresponds to a corruption of reality through signs; simulation corresponds to a short circuit of reality and to its duplication through signs. It is always the goal of ideological analysis to restore the objective process, [while] it is always a false problem to wish to restore the truth beneath the simulacrum”.

(Baudrillard, 1988)

The movement for agrarian reform in Brazil, which stayed allied with the Worker’s Party although land expropriations were more frequent under previous governments, and nearly stopped during the tenure of presidents Lula and Dilma Rousseff, is an archetypal example. The Mothers of Plaza de Mayo in Argentina, which campaigns for the survivors of the military dictatorship, is another, as are many intellectuals in academia and beyond. Likewise, Castañeda, op. cit cites “Fome Zero” (Zero Hunger) in 2006 as an example of “good” pragmatism in Brazil, although this program never got off the ground and possibly was never more than a publicity slogan.

From 1952 to 1967 Uruguay was not ruled by a president, but by a (democratically elected) National Council along the lines of the Swiss Federal Council. While this Council had a rotative yearly presidency, its leaders are not usually counted as Presidents of Uruguay in standard historical chronology. It is likely from context that Riggiorazzi assumed that a given policy statement (kicking off the negotiations to establish LAFTA, an early, short-lived regional bloc) corresponds to a Council position on policy.

Mercosur was established in 1991 by the Treaty of Asunción, later amended by the 1994 Treaty of Ouro Preto. The concept originated in 1988, when presidents Raúl Alfonsín of Argentina and José Sarney of Brazil signed the Argentina-Brazil Integration and Economics Cooperation Program or PICE (Portuguese: Programa de Integração e Cooperação Econômica Argentina-Brasil, Spanish: Programa de Integración y Cooperación Económica Argentina-Brasil). Its full members are Argentina, Brazil, Paraguay, Uruguay and Venezuela. Its associate countries are Bolivia, Chile, Peru, Colombia, Ecuador and Suriname. New Zealand and Mexico are observer countries.

In particular, we have entirely omitted alliances that are somewhat relevant to the topic at hand, but expand beyond Latin America, such as those derived from the Brazilian Workers Party’s “south-south diplomacy” with Africa or BRICS-derived institutions such as the Bank of the South.

The Organization of American States (Spanish: Organización de los Estados Americanos, Portuguese: Organização dos Estados Americanos, French: Organisation des États américains), or the OAS or OEA, is an intercontinental organization founded on 30 April 1948, for the purposes of regional solidarity and cooperation among member states. Headquartered in Washington, D.C., the OAS’s members are the 35 independent states of the Americas.

The Union of South American Nations (USAN; Spanish: Unión de Naciones Suramericanas, UNASUR; Portuguese: União de Nações Sul-Americanas, UNASUL; is an intergovernmental regional organization comprising 12 South American countries. The UNASUR Constitutive Treaty was signed on 23 May 2008, at the Third Summit of Heads of State, held in Brasilia, Brazil. According to the Constitutive Treaty, the Union’s headquarters will be located in Quito, Ecuador. On 1 December 2010, Uruguay became the ninth state to ratify the UNASUR treaty, thus giving the union full legality. As the Constitutive Treaty entered into force on 11 March 2011, UNASUR became a legal entity during a meeting of Foreign Ministers in Mitad del Mundo, Ecuador, where they had laid the foundation stone for the Secretariat Headquarters. The South American Parliament will be located in Cochabamba, Bolivia, while the headquarters of its bank, the Bank of the South are located in Caracas, Venezuela.

Mercosur or Mercosul (Spanish: Mercado Común del Sur, Portuguese: Mercado Comum do Sul). Its full members are Argentina, Brazil, Paraguay, Uruguay and Venezuela. Its associate countries are Bolivia, Chile, Peru, Colombia, Ecuador and Suriname. Observer countries are New Zealand and Mexico. Its purpose is to promote free trade and the fluid movement of goods, people, and currency. The official languages are Spanish, Portuguese and Guarani. It has been updated, amended, and changed many times since. It is now a full customs union and a trading bloc. Mercosur and the Andean Community of Nations are customs unions that
are components of a continuing process of South American integration connected to the Union of South American Nations.

The Pacific Alliance (Spanish: Alianza del Pacífico) is a Latin American trade bloc, with some features of further integration. It currently has four member states — Chile, Colombia, Mexico and Peru, which all border the Pacific Ocean. These four states represent nearly 36% of Latin American GDP. According to the World Trade Organization (WTO), the countries of the Pacific Alliance together exported about $445 billion in 2010, almost 60% more than Mercosur. At the VII Pacific Alliance Summit in Cali, Colombia, on May 22, 2013, Costa Rica signed a trade agreement with Colombia, and later in the summit received approval for full membership from all the founding members. Costa Rica is finishing up the process so it can be readily incorporated as the Alliance’s fifth member. At the same summit seven observers were admitted: the Dominican Republic, Ecuador, El Salvador, France, Honduras, Paraguay, and Portugal. The Pacific Alliance currently has 49 observer states, including economic heavyweights such as Japan, China, Germany, France, the United Kingdom, and the United States, as well as three of the five Southern Common Market (Mercosur) countries and a member of the Bolivarian Alliance for the Peoples of Our America (ALBA).

The Andean Community (Spanish: Comunidad Andina, CAN) is a customs union comprising Bolivia, Colombia, Ecuador, and Peru. The trade bloc was called the Andean Pact until 1996 and came into existence when the Cartagena Agreement was signed in 1969. Its headquarters are in Lima, Peru.

ALBA, the Bolivarian Alliance for the Peoples of Our America (Spanish: Alianza Bolivariana para los Pueblos de Nuestra América), is an intergovernmental organization based on the idea of the social, political and economic integration of the countries of Latin America and the Caribbean. Founded initially by Cuba and Venezuela in 2004, it is associated with socialist and social democratic governments wishing to consolidate regional economic integration based on a vision of social welfare, bartering and mutual economic aid. The eleven member countries are Antigua and Barbuda, Bolivia, Cuba, Dominica, Ecuador, Grenada, Nicaragua, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines and Venezuela. Suriname was admitted to ALBA as a guest country at a February 2012 summit. ALBA nations may conduct trade using a virtual regional currency known as the SUCRE. Venezuela and Ecuador made the first bilateral trade deal using the Sucre, instead of the US dollar, on July 6, 2010.

Foro de São Paulo (FSP; English: São Paulo Forum) is a conference of leftist political parties and other organizations from Latin America and the Caribbean. It was launched by the Workers’ Party (Portuguese: Partido dos Trabalhadores - PT) of Brazil in 1990 in the city of São Paulo.

Later on, the orthodox policies of populist’s predecessors may be painted as actively hostile, submissive to foreign interests or conspiring to favor the elites at the expense of the people; but this tends to happen as populist policy stops working.

As often is the case when the trajectories of these three countries are compared, Venezuela already has at any given time in 2005-2015 a more centralized decision-making process that occludes which political facts are easily observable; on the other hand, Brazil experiences a torrent of semi-related political events from which it is harder to pick key moments — for example, orthodox-leaning finance minister Palocci was fired (and replaced with Mantega, a left-wing sociologist that would stay until the end of 2014) shortly after Argentina’s Lavagna not because of policy debates but because he was implicated in the multifaceted Mensalão corruption scandal.

Brazil, Russia, India and China. South Africa, the ‘S’ in the BRICS is a follower, not a leader in this realm.
At the 10th G20 Summit on November 15–16, 2015, President Xi Jinping announced that the organizing theme for the 11th G20 Summit in 2016 would be to build an innovative, invigorated, interconnected, and inclusive world economy, by: (1) innovating the growth pattern, emphatically advancing reforms and innovations, grasping new opportunities, and improving the growth potential of the world economy; (2) improving global economic and financial governance, enhancing the representation and voice of emerging markets and developing countries, and boosting the global economy’s capability to manage risk; (3) constructing an open-ended world economy, promoting international trade and investment, and using this to promote growth; and (4) advancing inclusive and interconnected development, to implement the 2030 Agenda for Sustainable Development, eradicate poverty, and realize mutual development.

c

The Oxford English Dictionary defines “nativism” as “the policy of protecting the interests of native-born or established inhabitants against those of immigrants.”


cxiv Papas defines populism as “democratic illiberalism,” denoting political parties that are both democratic and illiberal. Populist parties, in his usage, identify with democracy, and endorse illiberal tactics. He cites
the Panhellenic Socialist Movement (PASOK) of Andreas Papandreou, a member of the Greek elite with U.S. training and naval war service; Silvio Berlusconi’s Forza Italia, which later merged into the People of Freedom coalition; Hungary’s Fidesz, born as a liberal party that moved right and transformed into a radical, populist party. Viktor Orbán won a landslide in 2010 and recast Hungary’s constitution. In Slovakia, Robert Fico’s Direction (Smer) party merged with others in 2005, becoming Smer–Social Democracy (Smer-SD), and after winning the 2006 election, formed a coalition government with a populist and an ultranationalist party. In 2012, Smer-SD won an absolute majority of seats, and form the first single-party government in Slovakia since 1993. Both left- and right-wing populism in Europe grew after the global financial crisis. In Greece, the crisis led to the collapse of the old party system in 2012 and to the victory of the populist Coalition of the Radical Left (Syriza) in January 2015, which went into coalition with a nationalist right populist party, the Independent Greeks (ANEL). In Spain, the left-populist Podemos (We Can) emerged in 2014, and allied with the IU in the June 2016 general election, emerging as the third-largest party. Poland’s Law and Justice Party (PIS), founded in 2001 by Jaroslaw and Lech Kaczynski, won power in 2015 and weakened the Constitutional Tribunal, tightened media controls, proposed newpresidential decree powers, and clamped down on immigrants and social minorities. (Papas, op. cit)

ccxv Fernando Blumenschein and Diego Navarroy, Macroeconomics of Populism in Latin America and Regional Governance Dynamics (First Draft), Fundação Getulio Vargas, August 15, 2016


ccxxii Despite suggestions that the ‘second wave’ of globalization may already have peaked and begun to recede, the authors of a study for the Brookings Institution in October 2016 report: “We find that, while the process of economic integration has slowed, there is only limited evidence so far of an absolute decline. In addition, today’s level of integration matches or exceeds the heights of globalization’s first wave. This could equally imply that globalization has reached unsustainable levels or that no such levels exist.” This is based on analysis of Foreign Capital Stock and Merchandise Exports, each as a percentage of global GDP, and Migrant Stock as a percentage of Global Population. Laurence Chandy and Brina Seidel, Is Globalization’s Second Wave about to Break?, Global Views, No. 4, October 2016, Brookings Institution, Washington DC - https://www.brookings.edu/research/is-globalizations-second-wave-about-to-break/?utm_campaign=Brookings+Brief&utm_source=hs_email&utm_medium=email&utm_content=38230996

ccxxiii Since the early 2010s, newly elected governments in India and Pakistan have sought to improve relations, reaching agreement on Non-Discriminatory Market Access on Reciprocal Basis (NDMARB) to liberalize trade; arranging meetings between senior foreign policy and national security officials, and, in November 2015, between India’s Prime Minister, Narendra Modi and Pakistan’s Prime Minister Nawaz Sharif, followed by Mr Modi’s visit to Pakistan. Bilateral relations remain tense due to Kashmir and cross-border terrorism. A 2014 BBC World Service Poll indicated that 17 percent of Indians view Pakistan’s influence positively, with 49 percent negative, while 21 percent of Pakistanis view India’s influence positively, with 58 percent negative view. (http://downloads.bbc.co.uk/mediacentre/country-rating-poll.pdf)

ccxxiv Sean Cleary, Identity Politics, Sectarian Conflict and Regional Political Rivalry in the Middle East

program/us-russian-relations and Valdai Discussion Club, *Agenda for Eurasia*
http://valdaiclub.com/a/reports/u_s_russia_relations_in_post_soviet_eurasia_transcending_the_zero_sum_game/


When a system is composed of many interacting parts, it may not be possible to know the details of each local interaction, some of which may produce nonlinear effects making even simple systems impossible to solve. This does not mean that the behaviour of the system as a whole may not demonstrate discernible patterns, but comprehending these usually requires one to abandon an effort to understand and causal relations between individual elements.


The algebra is simple: Number of possible links: \( L = 2 \times (N \times (N-1)) \). Thus: 4 elements give 6 links, and 10 elements give 45 links; Number of possible patterns: \( P = 2L \). Thus 4 elements: 6 links: 64 patterns; and 10 elements: 45 links: 35,184 billion patterns

Philip Hartmann et alia have noted three means of systemic transmission: Contagion where the failure of one intermediary can lead to others failing, even when not invested in same risks and not impacted by the same original shock; widespread financial imbalances that have built up over time and unwind abruptly, leading to risk re-pricing, and affecting many intermediaries and markets; and negative aggregate shocks that can affect intermediaries and markets simultaneously. Financial systems are particularly prone to systemic risk due to pervasive externalities in the complex, dynamic network of exposures of major intermediaries; the frequency of asymmetric information exacerbated by powerful feedback and amplification mechanisms; and nonlinear adjustments may induce turmoil – and transmission speed accelerated greatly due to global financial integration, higher leverage and instantaneous transmission of information. (Trichet, Clare College (2009) op. cit.)

Former UK Astronomer Royal and Master of Trinity College, Cambridge has noted: “In many fields of scientific... research, notably biology and particle physics, we are tinkering with deep fundamentals we do not fully understand.” (Martin Rees, *Our Final Century: Will the Human Race Survive the Twenty-first Century?,* Arrow Books, 2004)

The United Nations system, including the International Monetary Fund and World Bank Group and other specialized agencies, and the World Trade Organization

The European Union, the European Central Bank, the Organization of American States, Mercosur/, the African Union and its regional economic communities, the Association of South-East Asian States, etc.

NATO, SEATO, ANZUS, the Gulf Cooperation Council

Notably the disaggregation of the ‘real’ and ‘financial’ economies, such that most activity in the financial sector has no relationship to facilitation of production and trade in goods and services.

Twelve to thirteen years of primary and secondary education, followed by increasingly specialized tertiary education to doctoral level or beyond, buttressed by formal postgraduate training for professional practitioners

Symmetry breaking in physics describes a phenomenon where (infinitesimally) small fluctuations acting on a system which is crossing a critical point decide the system’s fate, by determining which branch of a bifurcation is taken. To an outside observer unaware of the fluctuations (or “noise”), the choice will appear arbitrary. Patterns of Symmetry Breaking. Ed. Henryk Arodz, Jacek Dziarmaga, Wojciech Hubert Zurek. p. 141)
The transitions usually bring the system from a symmetric but disorderly state into one or more definite states. (c.f. P. W. Anderson, More Is Different. Science 177 (4047): 393–396. Bibcode:1972Sci...177..393A)

Two types of symmetry breaking are distinguished: Explicit symmetry breaking and spontaneous symmetry breaking, characterized by whether the equations of motion fail to be invariant or the ground state fails to be invariant. In explicit symmetry breaking, the equations of motion describing a system are not invariant under the broken symmetry. In spontaneous symmetry breaking, the underlying laws are invariant, but the system as a whole changes. It is a spontaneous process by which a system in a symmetrical state ends up in an asymmetrical state. It thus describes systems where the equations of motion or the Lagrangian obey certain symmetries, but the lowest-energy solutions do not exhibit that symmetry.


The Gaia hypothesis proposes that organisms interact with their inorganic surroundings on Earth to form a self-regulating, complex system that contributes to maintaining the conditions for life on the planet – [http://ecolo.org/lovelock/lovebiofr.htm](http://ecolo.org/lovelock/lovebiofr.htm)

[https://www.ft.com/content/7b2841a-3df3-11e0-99ac-00144feabdc0](https://www.ft.com/content/7b2841a-3df3-11e0-99ac-00144feabdc0)

[https://www.ft.com/content/7b28481a-3df3-11e0-99ac-00144feabdc0](https://www.ft.com/content/7b28481a-3df3-11e0-99ac-00144feabdc0)


Through its *European Neighbourhood Policy* (ENP), the EU works with its southern and eastern neighbours to achieve the closest possible political association and greatest possible economic integration, building on common interests and values of democracy, the rule of law, respect for human rights, and social cohesion. Partner countries and the EU agree on an ENP Action Plan or an Association Agenda demonstrating their commitment to these values, and principles of a market economy and sustainable development. The EU supports the achievement of these objectives through financial support, economic integration and access to EU markets, easier travel to the EU, and technical and policy support, as well as support for civil society - [https://eeas.europa.eu/topics/european-neighbourhood-policy-enp/330/european-neighbourhood-policy-enp_en](https://eeas.europa.eu/topics/european-neighbourhood-policy-enp/330/european-neighbourhood-policy-enp_en).

The *Eastern Partnership* is a joint initiative involving the EU, its member states and six eastern European partners: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine, based on commitment to the principles of international law and fundamental values - democracy, the rule of law, human rights and fundamental freedoms - and encompassing support for a market economy, sustainable development and good governance. The EU and partner countries leaders meet every other year in *Eastern Partnership Summits*. The latest Summit Declaration was in May 2015 in Riga - [https://eeas.europa.eu/topics/eastern-partnership/419/eastern-partnership_en](https://eeas.europa.eu/topics/eastern-partnership/419/eastern-partnership_en).

The EU supports regional development in South-East Europe with its *Black Sea Synergy*. By encouraging cooperation between the countries surrounding the Black Sea, the synergy offers a forum for tackling common problems while encouraging political and economic reform. The European External Action Service and the Commission have issued a Joint Staff Working Document reviewing the initiative, highlighting the main fields of cooperation in the last five years, as well as "lessons learned" to inform future development - [https://eeas.europa.eu/diplomatic-network/black-sea-synergy/346/black-sea-synergy_en](https://eeas.europa.eu/diplomatic-network/black-sea-synergy/346/black-sea-synergy_en).

EU Member states are committed to a *Common Foreign Security Policy*, to strengthen the EU's external ability to act through the development of civilian and military capabilities in Conflict Prevention and Crisis Management. The EU applies diplomatic and economic sanctions in response to violations of international law or human rights, or policies that disrespect the rule of law or democratic principles; and actively combats the illicit accumulation and trafficking of small arms and light weapons - [https://eeas.europa.eu/topics/common-foreign-security-policy-cfsp/420/common-foreign-and-security-policy-cfsp_en](https://eeas.europa.eu/topics/common-foreign-security-policy-cfsp/420/common-foreign-and-security-policy-cfsp_en).
The G20 was formally established at the G7 Finance Ministers’ meeting on 26 September 1999. The inaugural meeting took place on 15–16 December 1999 hosted by German Finance Minister Hans Eichel in Berlin. Canadian Finance Minister Paul Martin was chosen as the first chairperson.

The G20 Summit was created in 2008, at the initiative of French President Nicolas Sarkozy and U.K. Prime Minister Gordon Brown, in response to the financial crisis of 2007–2010 and recognition that key emerging countries needed to be included to address a crisis of global economic governance. After the first summit in Washington, D.C in 2008, G20 leaders met twice a year for two years - in London and Pittsburgh in 2009, and in Toronto and Seoul in 2010. Since the G20 Summit in Evian in 2011, summits have been held once a year, in Mexico in 2012, Russia in 2013, and Australia in 2014. The 2015 summit was held in Turkey in 2015, and the 2016 summit will be held under China’s presidency in Hangzhou in September 2016.

The G20 Meetings of Finance Ministers and Central Bank Governors prepare each Summit and implement the decisions taken there. A number of other ministerial-level G20 meetings have also been held since 2010. Meetings of Ministers responsible for employment have taken place every year since 2010. Meetings of Agriculture Ministers were held in 2011 and 2012, meetings of Foreign Ministers in 2012 and 2013, and meetings of Ministers of Trade in 2012 and 2014.

Several states, including Denmark, Norway, Poland, Singapore and Spain, all not represented in the G20, have criticised the organisation for being inadequately representative, organizationally inefficient and insufficiently transparent.


The annex is entitled *Core Values for Sustainable Economic Activity*. The *general principles* were improving the well-being of citizens, sustainability, free competition, effective rules and instruments and strong global institutions.

The *specific principles* were sustainable and balanced growth; ensuring that financial markets support employment and growth; sound macroeconomic policy; productive labour markets, decent work and social protection; propriety, integrity and transparency; preserving the environment and resources; and a global partnership for balanced economic development.

The first step, in February 2009, was an inventory of the 105 potentially applicable policy instruments (codes, principles, guidelines, agreements, declarations, frameworks, recommendations), developed over the years by the OECD, World Bank, IMF, ILO and WTO, which was coordinated by the OECD secretariat, with the participation of the other multilateral organisations.

“Charter principles shall give guidance to governments in the sense of a ‘code of codes’. They are meant to be legally non-binding. Their effectiveness will depend on leaders’ commitment to implementing the Charter.” (unpublished document: *Principles of the Charter for Sustainable Economic Activity*, 2009)


“We have a responsibility to ensure sound macroeconomic policies that serve long-term economic objectives and help avoid unsustainable global imbalances; We have a responsibility to reject protectionism in all its forms, support open markets, foster fair and transparent competition, and promote entrepreneurship and innovation across countries; We have a responsibility to ensure, through appropriate rules and incentives, that financial and other markets function based on propriety, integrity and transparency and to encourage businesses to support the efficient allocation of resources for sustainable economic performance; We have a responsibility to provide for financial markets that serve the needs of households, businesses and productive investment by strengthening oversight, transparency, and accountability; We have a responsibility to secure our future through sustainable consumption, production and use of resources that conserve our environment and address the challenge of climate change; We have a responsibility to invest in people by providing education, job training, decent work conditions, health care and social safety net support, and to fight poverty, discrimination, and all forms of social exclusion; We have a responsibility to recognize that all economies, rich and poor, are partners in building a sustainable and balanced global economy in which the benefits of economic growth are broadly and equitably shared. We also have a responsibility to achieve the internationally agreed development goals; We have a responsibility to ensure an international economic and
financial architecture that reflects changes in the world economy and the new challenges of globalization.”
(Item 5 of Core Values for Sustainable Economic Activity, Annex to the Leaders’ Statement, The Pittsburgh Summit, September 24-25, 2009, The White House, Office of the Press Secretary)

Wang Wen, op. cit: “The global community should review the development path from a fresh perspective, address the relationship between sustainable development and economic transformation, implement global Sustainable Development Goals, cope with unequal and unfair problems in economic development, coordinate to address climate change and environmental degradation, enable countries in different positions in the global value chain to play to their advantages, and share the opportunities of development. By combining the 2030 Agenda for Sustainable Development with its own agenda, the G20 shall establish a new type of global partnership in the global economic governance process. By coping with the complicated situation and other globalized issues through connected macro-level policies, the G20 can realize all countries’ positive interaction and mutual development and make the G20 a long-term platform for promoting sustainable international economic development cooperation.”

In addition to Pascal Lamy, the Commission comprised Michelle Bachelet, Lionel Barber, Professor Roland Berger, Professor Ian Goldin, Arianna Huffington, Dr Mo Ibrahim, Luiz Felipe Lampreia, Minister Liu He, Professor Kishore Mahbubani, Minister Trevor Manuel, Julia Marton-Lefèvre, Minister Nandan Nilekani, Lord Patten, Baron Piot, Lord Rees, Professor Amartya Sen, Lord Stern and Jean-Claude Trichet.


Rodrik op. cit. p. 236

Rodrik op. cit. p. 280

Garrett Hardin, The Tragedy of the Commons, Science, 13 December 1968,

http://science.sciencemag.org/content/162/3859/1243

Only in popular discourse: Many institutions from the U.S. National Intelligence Council to Accenture, Shell and the Global Business Network have developed scenarios in the past decade, suggesting alternatives to what Rodrik would call hyperglobalization.

The connectivity and complexity we have engendered in connecting the world, and that which characterises the complex ecosystems in which we are embedded, overwhelm our ability to understand, model or manage the events that result. An arithmetic increase in the number of elements we connect, leads to a geometric rise in the number of hubs, and exponential growth in the potential patterns. As Herbert Simon noted in 1957, “The capacity of the human mind for formulating and solving complex problems is very small compared with the size of the problem whose solution is required for objectively rational behavior in the real world, or even for a reasonable approximation to such objective rationality.” (See further H.A. Simon, Models of Bounded Rationality, Volume 1, Economic Analysis and Public Policy, MIT Press, Cambridge Ma, 1982, pp235-44)


The revival of cultural and religious identities, especially in extreme forms, in the face of modernization, secularization and westernization in the past quarter century; and the rise of nativism and populism in advanced economies in response to negative social impacts of globalization and mass migration more recently, are salient examples.

There are, of course, still instances in which this is done: Moscow’s actions in Georgia and Ukraine; NATO’s in defeating government forces in Libya; and the actions of the U.S. led coalition in Iraq; and the Kingdom of Saudi Arabia in Yemen, are cases in point.

The criminal justice system buttress the normative and legal framework of each national society in prosecuting and punishing sever offences.

The Treaty of Maastricht established criteria for European countries wishing to adopt the euro: Inflation of no more than 1.5 percentage points above the average rate of the three EU member states with the lowest inflation over the previous year; a national budget deficit at or below 3 percent of GDP; national public debt not exceeding 60 percent of GDP (although a higher level of debt was tolerated if the debt level was falling steadily); long-term interest rates no more than two percentage points above the rate in the three EU countries with the lowest inflation over the previous year; entry by the national currency to the ERM 2 exchange rate mechanism two years prior to entry. Spain and Portugal were in line for penalties in 2016 for


[https://www.wto.org/english/tratop_e/dda_e/dda_e.htm](https://www.wto.org/english/tratop_e/dda_e/dda_e.htm)


In 2015, 196 parties to the convention attended the UN Climate Change Conference in Paris from 30 November - 12 December, and adopted the Paris Agreement by consensus, aimed at limiting global warming to less than two degrees Celsius, and pursue efforts to limit the rise to 1.5 degrees Celsius. The threshold for entry into force of the Paris Agreement was achieved on 5th October 2016, with the Agreement entering into force on 4th November 2016. [http://unfccc.int/paris_agreement/items/9485.php](http://unfccc.int/paris_agreement/items/9485.php)

On the advice of Han Seung-soo, Prime Minister of the Republic of Korea in 2008-2009, and Baron [Nicholas] Stern of Brentford, among others.


If the task were seen to be too demanding for the UN system – which is the optimal locus for the discussions – it could be initiated through the G20, and taken to the U.N. General Assembly for ratification thereafter.

Qualitative Behavior of the Probability of Success in Negotiations as a function of the diversity of interests and values

We assume a group of $N$ participants in a negotiation, each participant $i$ ($i = 1, ..., N$) having an interest function $I_i$ and a value function $V_i$. We can divide these functions into $I_i^\alpha$ “interests of participant $i$ with respect to an issue $\alpha$” (this parameter referring to economy, financial, security, stability, ..., ) and $V_i^\beta$ “values of participant $\beta$ with respect to an issue $\beta$” ($\beta$ referring to social or religious factors etc.).

We define the “variance” of interests to be

$$\sigma_I = \sum_{i,j=1}^{N} (I_i - I_j)^2 = \sum_{\alpha} \sum_{i,j=1}^{N} (I_i^\alpha - I_j^\alpha)^2,$$

and, similarly, for the variance of values:

$$\sigma_V = \sum_{i,j=1}^{N} (V_i - V_j)^2 = \sum_{\beta} \sum_{i,j=1}^{N} (V_i^\beta - V_j^\beta)^2.$$

(Obviously, this can be generalized by weighting the different issues $\alpha$ and $\beta$ differently.)

We are now looking for a simple function $P_s(\sigma_I, \sigma_V)$ which is interpreted as the “probability for success given the variances in interests, $\sigma_I$ (or a measure for the mutual differences in interests), and the variances in values $\sigma_V$, such that $P_s$ get zero, if one of the variances approaches a critical value $C_I$ (this is defined to be a critical value for the differences in interests for which the probability of success approaches zero) and $C_V$ (same for values).

Such a formula is:

$$P_s = \frac{[(C_I - \sigma_I)/C_I][(C_V - \sigma_V)/C_V]}{1 + w_I \sigma_I + w_V \sigma_V}. \quad (1)$$

This function has the property of (1) becoming zero if one of the values $\sigma_I$ or $\sigma_V$ becomes equal to its critical value. Furthermore, it is equal to 1 (100% success probability) if both variables $\sigma_I$ and $\sigma_V$ are zero.

The factors $[(C_I - \sigma_I)/C_I]$ and $[(C_V - \sigma_V)/C_V]$ are normalized measures for the “extent of coincidence” in interests and values, respectively. If the variances $\sigma_I$ (or $\sigma_V$) are equal to their critical values, they are zero. If these variances are zero, the “coincidences” are 1.

So, the numerator for the probability of success contains the product of “coincidences” while the denominator contains the sum of differences.
Remarks:

1. One problem will be, to transform “interests” and “values” into numbers, which can be compared. Here it might be important to split interests (and values) into different issues such that we just indicate a pairwise “measure for the difference”: \( \Delta I_x = (I_i^a - I_j^a) \), without explicitly giving the values \( I_i^a \) etc.

2. A second problem with be the values \( C_I \) and \( C_V \), i.e. the critical values, for which the differences in interests or values become so large, that an overall agreement becomes extremely unlikely (probability zero). In practice one might sometimes go the other way: We want a particular success probability \( P_x \) (say, 50%), how much can the interests and values of the participants differ. According to this formula, the interests (or values) can even be identical for all participants, if the differences in the other variable are too large (i.e. \( C_I - \sigma_I \) or \( C_V - \sigma_V \) are too close to zero) such an agreement becomes improbable.

3. The parameters \( w_I \) and \( w_V \) define a “relative weight” for the two quantities (differences in interests and values). For some cases, it might be more difficult to find an agreement if the interests are too different while for other cases it might be more difficult if the values are too different. As a first approximation or unless we have reasons to believe differently one might take \( w_I \) and \( w_V \) to be equal.