

# Emerging Global Challenges:

## Managing Interdependence in a Complex World

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### *Introduction*

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

The agenda for this meeting covered a number of issues:

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

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

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

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

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

Similarly, the agenda for the meeting meshed closely with the interest of the Charles Stewart Mott Foundation in the reform of international finance and trade. The Foundation's approach had been set out as follows:

“International finance and trade institutions play a fundamental role in the global economy. They must become more responsive to environmental and social concerns if society is to achieve the goal of sustainable development.

...

“Sustainable development can be achieved only with the active participation of civil society. Public accountability policies at international financial and trade institutions should enable NGOs to engage in economic and development decision-making by increased openness and transparency; providing opportunities for public participation in the design of policies and programmes; establishing mechanisms for resolving conflicts between economic and non-economic goals; and removing obstacles to reform by changing organisational culture and incentives.

...

“Reform of international financial and trade policies will take place only when people and governments demand it. ... Increasingly NGOs are providing constructive criticism and expertise to help improve the environmental and social sustainability of international finance and trade practices.”

This approach was also very relevant to the work of the Commission on Globalization, which Jim Garrison would outline later in the meeting.

## ***Global Challenges***

**Ged Davis** presented the results of work done within Shell on global scenarios, with a particular focus on the policy agenda over the next few years, and the challenges that would be facing decision-makers as they looked ahead to 2020.

The 1990s had been the era of revolutions—of economic and political liberalisation, globalisation and major technological advances. TINA (There Is No Alternative) had been a powerful force driving policies aimed at reducing State ownership, fiscal imprudence, over-regulation and protectionism.

The 21<sup>st</sup> century had brought with it a greater focus on the social consequences, and on the interconnectedness between people, businesses and institutions. The circles of connection covered both global and local interests, and there was a new questioning about national identity, and about the boundaries of what people saw as heartlands and as edges. Many people were now part of networks that focussed on local communities and networks that were global in reach, rather than ones that reflected national boundaries. National identity was nowadays associated most strongly with how national teams performed in the World Cup or the Olympics!

At the same time, there were doubts about the forces unleashed by the revolutions of the 1990s. There were increasing concerns about the way the private sector was operating privatised

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

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

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

This led to two different scenarios:

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

### **Business Class**

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

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

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

### **Prism**

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

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

- exaggerated fiscal discipline is seen as unsound, especially where it does not take account of cyclical or sustainability issues;
- private monopolies are seen in some cases to be worse than State enterprises, especially where regulation is inadequate;
- there is less pressure towards full capital account liberalisation particularly in the face of exchange rate volatility;
- “our way” economic policies lead to heavier investment in public goods.

Growth in industrial countries is slower than in the 1990s (and in the *Business Class* scenario), with fear of unemployment slowing the process of reform. The US in particular plays a less dominant role in the world economy. Developing countries experience moderately high and stable growth. Successful businesses need intimate knowledge of local markets.

In Africa, there is a reinforcement of democratic institutions, and growth is stronger. But key obstacles remain, notably the continued impact of AIDS and the acute shortage of water, with the potential both to bring development to a halt and to be a source for regional conflicts.

### **Discussion**

The discussion ranged not just over the scenarios but more widely over the issues raised by globalisation. The main points made were:

- Both scenarios were relatively positive, at least compared to those presented by gloomier writers such as Robert Kaplan.
- There was a need for a new vocabulary when talking about globalization. There was a predilection to talk about the “management” of globalization, which carried implications that the issue was a technical one, and ignored the crucial role that politics played. And when using the term “global governance”, we needed to take account of non-State actors, and to deal with the issue of failing states.
- There was also a need for a new social compact, both within states and between states. The deal underpinning the foundation of the Bretton Woods institutions had been an open liberal economy in exchange for a social compact. That had gone by the board in many countries. More needed to be done to deal with the distributive consequences of moves towards more open economies.
- There was currently a surprising degree of consensus about the way forward. The Washington consensus *had* been redefined, and more emphasis *was* now being put on social issues. Social democracy, governance and conflict prevention *were* now all seen as important.
- It was dangerous, however, to play down too far the benefits that had been gained from market reforms. There had, for example, been real problems with budget deficits in the 1970s. The issue was how did we create the economic growth that was necessary for there to be a social compact. On the other hand, the world also needed to beware of *market* fundamentalism, which had pushed the State out of the role it had had in protecting

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

- We now had globalization of politics but without the norms and institutions to accompany it. We needed a new political process to accompany globalization. The role of non-State agencies was crucial. We were seeing a rash of informal arrangements between corporations, NGOs and others, and we needed to seek new structures and processes to reflect this.
- The current state of the world carried with it a number of paradoxes:
  - the world had rarely been more peaceful, with few conflicts between states. But we faced numerous deadly conflicts *within* states;
  - the US accounted for 40% of world military expenditure, and had global pre-eminence. But its main threat was from terrorism, where pure military power was insufficient;
  - in aggregate, the world was achieving increasing prosperity. But it was very inequitably distributed, both within countries and between countries;
  - more and more states now had democratic governments, but that often brought with it a paralysis in decision-taking;
  - the major religions espoused tolerance, but many conflicts had their origins in religious differences.
- There was at last a new spirit coming out of Africa, based on the view that it was a voice to be heard not a problem to be solved. South Africa was playing a world role far above its intrinsic significance. It embodied many of the world's core issues and values. Mbeki was drawing on South Africa's unique experience in arguing the case for reform in Africa in exchange for global reform, and for equality of opportunity as an essential component of democracy.

### ***Managing Interdependence in a Complex World***

**Ed Luck** outlined some of the arguments in his paper "*Exceptionalism, Power, and the Global Architecture*", prepared for this conference.

The core problem was how to go about building international law and international organisations when there were such large asymmetries between countries, especially in military capabilities. The US was exceptional both in the extent of its power and also in its historical, cultural and constitutional attitude towards international organisations. It was a natural instinct for a country in such a position to take part in international agreements only when it thought it could get out more by taking part than by standing back.

The issue that needed to be addressed was where the US fitted into multilateral decision-making today and where it did not. The US's history had been one of ambivalence towards international institutions, rather than one of isolation. Even where it had not joined institutions, it had often made a dynamic contribution, for example to the League of Nations. In other cases, there had been a cycle of rejection, co-operation and then finally reconciliation, for example on Law of the Sea, UNESCO or peacekeeping. Overall, the US's approach to international agreements had

been pragmatic rather than unilateralist or multilateralist. The 1990s had seen very rapid growth in international norms and institutions, and US had gone along with most of that—though in many instances its attitude was to support existing institutions while being cautious about setting up new ones.

Small states and large states differed in their attitudes to international agreements. Small states tended to need the legitimacy conferred by acting under the cover of international agreements. That was much less true for large countries. It was arguable that the UN endorsement of the US's actions post September 11<sup>th</sup> did more to confer legitimacy on the UN than on the US.

One key issue was how to secure US engagement in international institutions without at the same time bringing in US domination. But from a US perspective, if international agreements would constrain the US's actions, why should the US be enthusiastic about them? It was no surprise that the US pursued its national interests in international organisations: there was no reason why it should be altruistic.

There was little sense in trying to proceed internationally without the US. But nor was it realistic simply to accept US domination of international agreements. What was needed was to fit the pace of progress to the circumstances, keeping a dialogue going with the US. In many cases it might be better to build piece by piece and region by region, rather than trying to negotiate a complete solution in one go.

It was dangerous if like-minded NGOs simply sought to join together and isolate the US. That could be self-fulfilling, and it was wrong to think it was possible or helpful to box the US in. The place to engage the US was on Capitol Hill, rather than by creating pressure from overseas. And there was a need to investigate more deeply whether US objections were to the whole principle of an agreement or just to one part—as for example with landmines.

We might be moving from an era of regime building and institution building to one of consolidation. That was arguably not a bad thing: we currently had masses of norms with very little enforcement.

**Jim Garrison** then outlined some of the background to the work of the Commission on Globalization.

The globalization of communications was creating a worldwide sense of entitlement to western consumer goods. Millions saw what was on offer but had no way of obtaining them. This had big political implications. We were being governed by myriad ineffective nation states plus myriad ineffective international organisations. There was a huge gap between what people wanted and what could be delivered. Needs were increasing, but the capacity of institutions was declining. And this was combined with a growing sense of crisis in the world.

The growing power of the US internationally was an important backdrop. While it was true that the US's attitude to international negotiations had often been one of ambivalence and pragmatism, there were doubts about how benign the US's influence would be in the future. Military concepts such as “full spectrum dominance” risked getting carried across into other

areas, and could lead to an imperial phase in US foreign policy. “Warrior politics” (to use Kaplan’s phrase) could replace institution building.

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

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

### **Discussion**

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

- The US’s definition of national interest was often very different from those of other countries, and it frequently saw its national interest as the *only* interest.. To say that the US often went along with proposals that were in its interests was not multilateralism. It couldn’t pick and choose to be multilateral on some issues and unilateral on others. The only test was to judge the balance over a span of time. On that basis, the US’s record was arguably one of unilateralism rather than pragmatism. It was also arguable how far the role of the US in international institutions had , on balance, been positive in the 1990s.
- The discussion of US dominance was in itself dispiriting for developing countries. With so much focus on US interests, was there any hope that the problems of the poor would receive the attention they needed? On the other hand, even though the US was undoubtedly the world’s hegemon, from the point of view of many African countries, so what? Africa was not competing with the US on most issues. And American hegemony hadn’t stopped the war in the Democratic Republic of Congo.
- There was a lot of focus on military and security issues—“hard power”—but the risks to the US came also from domestic issues such as inequality and race relations, and from international issues such as environment and public health. The US also needed its businesses to be able to operate effectively around the world. In the corporate world, being big and powerful did not necessarily mean it was easy to get things one’s own way. Microsoft, for example, faced widespread suspicion and dislike, and that hampered its capacity to manoeuvre.
- The US was in any case much less dominant outside the military field. And many of its interests were tightly bound up with multilateral institutions: an open trading system, financial stability, global health, conflict minimisation. The trade discussions at Doha had been an example of the US deciding to shape the agenda and get everyone to participate—deciding to be multilateralist so as secure its national interests.

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

Other points made in the discussion included:

- Lobbying on Capitol Hill could be a very effective way of influencing US policy. It was particularly important to engage with the sceptics. Much had been achieved on debt relief, for example, by identifying and convincing key players who could in turn influence others. Congress was often more ready to accept regional or sub-regional agreements rather than global ones. This was in line with an approach towards the US of pushing

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

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

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

### ***Focusing on the Environment***

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

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

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

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

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

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

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

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

The Millennium Development Goals were important in the way they set specific targets and indicators, and had catalysed institutions. Both the World Bank and the World Health Organisation, for example, were focussing considerable efforts onto this. One problem, though, was in the analytic capacity within institutions. Some of the goals were too modest, some too ambitious. More work was needed on analysis and costing, including a process of peer review.

It was often too easy to blame the US: the leading power in the world would always attract criticism. On Kyoto, it had become inevitable that the US would find itself unable to ratify the treaty as it stood. But the valid criticism was that it had not come up with any alternative: that was the area where pressure was needed.

**Adil Najam** then outlined some of the background to the G77 approach to international environmental negotiations.

The essence of the South was political, with the G77 serving as its negotiating arm. The G77 was a highly diverse, loosely organised grouping, but had proved remarkably resilient over 35 years. A number of factors had held it together:

- a unity based on vulnerability not poverty (some oil-producers were wealthy);
- a mutual and shared distrust of the international order, which the G77 had not been involved in creating;
- a perception of a weak negotiating position, which led to the G77 adopting risk-averse positions, and made it better at resisting change than achieving positive outcomes;
- high aspirations in public but low expectations in private;
- a tendency to adopt positions based on the lowest common denominator, so as to maintain unity.

The South had initially come to Rio reluctantly. “Sustainable development” had not been a concept invented by the South. Indeed the only specific issue where the G77 had an agreed

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

Ten years on, the position looked different. Additionality had effectively been abandoned, with existing resources diverted instead. “Common but differentiated responsibilities” seemed to be on the way out, with the US determined to secure China’s and India’s inclusion in a CO<sub>2</sub> emission regime even though their per-capita emissions were only 1/80<sup>th</sup> of the US’s. And the “polluter pays” principle had been softened by Prior Informed Consent and by the Clean Development Mechanism. More generally, “sustainable development” had lost its meaning and become a mantra devoid of policy content. The Rio “Declaration on Environment and Development” was indeed “DEAD.”

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

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

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

- the South needed to define a proactive agenda for sustainable development, so as to put meaning back into the concept;
- the South also needed to clean up its own act. The steam was running out of adopting a position on the high moral ground. It was still true that many of the problems stemmed from the North, but a great many environmental issues now arose in the South;
- there needed to be a halt to negotiation proliferation. There should be a stop to new treaty-making, and a focus on better implementation of the ones already in existence;
- the forums for pursuing the agenda should be expanded, though with the number of issues reduced. The South should be up-front, for example, in pushing the environment as an issue for the WTO;
- greater efforts should be made to seek out the best avenues of influence. Anti-globalization forces were powerful but were *not* necessarily pro-South;
- more work was needed to figure out where the South’s power lay, and to organise itself better.

## **Discussion**

In discussion of these two presentations, the main points made were:

- The Millennium Development Goals had arisen from considering how to mobilise resources to deal with poverty reduction. There had been some investigation of their feasibility, and a start had been made on economic modelling. The World Bank analysis

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

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

removed from those of the poorer oil importers. It was a paradox that if the South saw itself as having more power, the rationale for standing together would diminish. It was also ironic that the G77 professed to put its faith in multilateral organisations, but often could not agree on measures to strengthen them.

- Not all negotiating achievements in the past were the result of picking low-hanging fruit. The conventions on cholera and yellow fever had taken 75 years from the start of work to the final agreements.
- The issue was not one of failed US leadership. The US had always been prepared to offer leadership. The problem was the way it expected others to line up behind it. The US was ready to be multilateralist when others were willing to follow its line. But if it could not get agreement, then it went its own way.
- One of the reasons behind the current crisis in global negotiations was the failure of this 19<sup>th</sup> century model, under which governments were elected, then sent representatives to negotiate international agreements, which were then ratified by domestic legislatures. A broader view of democracy was now needed, with processes that involved all stakeholders. Too much weight had been loaded onto institutions, mainly because we lacked other mechanisms for decision. The institutions themselves were often incapable of displaying the necessary elasticity to absorb views from outside their usual processes, even when they tried. There needed to be more focus on voluntary partnerships between governments, business and civil society.

## ***Global Responses***

### **Attitudes in donor countries**

The discussion of the global response began with an analysis of the attitude in donor countries towards development assistance, drawing in particular on survey evidence from Canada. The Monterrey Conference had seen some significant new pledges from Governments on increased aid volumes, as well as a move away from traditional aid towards new partnerships with developing countries. How far were aid policies supported by public opinion within donor countries?

In practice, surveys in donor countries tended to show poor public knowledge of aid policies and processes, though there was often a general view expressed that foreign assistance did not reach the most needy. It was also common for such surveys to reveal a preference for development policies to be driven by social values such as human rights and the environment, rather than by economic values such as increasing trade and investment.

Much depended on how the questions were asked, and the circumstances. Many who responded to such surveys said they were favourably inclined toward development aid, but then ranked it low in a list of priorities in comparison to domestic programmes. This was particularly true when domestic unemployment was high and national budgets were under pressure: in those circumstances attitudes towards overseas aid were less generous. Attitudes towards aid could also be rapidly turned negative by prominent news stories of corruption in developing country

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

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

### **Private Donors**

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

The boards of foundations were pressing them to become more strategic and focussed, looking for high impact projects, with visible and measurable outcomes. Internationally, there was often a focus on helping to build indigenous NGOs in developing countries, and to build local philanthropy through such initiatives as community foundations. Even though developing countries were poor, not everyone in those countries was poor. Co-ordination was an issue: private foundations valued their independence, but recognised that overall effectiveness could be increased through better co-ordination with others.

### **Monterrey and beyond**

A number of presentations discussed the new approaches to aid delivery, and what had been achieved at Monterrey. The main points were:

- There was a widespread perception in the West that aid did not get to the people who needed it most. This had led to a welcome focus on improving the effectiveness of development assistance. The measures that were needed included: better evaluation; more collaboration between aid agencies, including more joint programmes, with pooled resources; and a change towards country allocations that were based on effectiveness rather than on political or historical factors, and on rewarding good governance rather than supporting weak and corrupt regimes.
- The DAC document “Shaping the 21<sup>st</sup> Century” had foreshadowed the new models of development now being adopted. There was a remarkable convergence of views—notably among donors who had traditionally adopted very different approaches. Monterrey had helped to take this process forward, but a key issue was what happened next: work was needed to develop new funding mechanisms.
- There was a paradox that Monterrey was supposed to be addressing alternative approaches to aid, yet the focus had been on increases in official development assistance. On the other hand, aid volume *was* important. Volumes had been going down

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

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

## *The Critical Case of Africa*

### **G8 and NEPAD**

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

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

Some of the key issues which had arisen in these discussions were:

- the need for a long-term partnership between NEPAD countries and the G8, recognising the importance of African ownership of NEPAD, but with the commitments on governance and peer review playing a fundamental role in attracting enhanced Western support.
- the need for a clearer strategy for achieving Africa's goals. Many of these were predicated on a 7% growth rate, but how was that to be achieved?
- the need for some immediate deliverables, while at the same time recognising the long-term nature of the process;

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

### **The African viewpoint**

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

### **Introduction**

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

The key element of NEPAD was African leaders taking responsibility for Africa's future. "Africa was not asking for fish, but saying: empower us to fish." It demonstrated an intent by African leaders to get away from a donor/recipient model. That had failed to solve Africa's problems. What was needed now was a partnership model, where Africa sought to create relationships that would be mutually beneficial.

NEPAD marked a shift from conditionality being imposed from outside towards Africa taking responsibility for delivering its side of a bargain. The basis of NEPAD was that, in order for the initiatives to be effective, issues such as good governance and peace and security were essential prerequisites.

African ownership of NEPAD was a slogan but also an important concept. A substantial part of what ailed Africa was internal, and Africa needed to put its own house in order. At present, African countries often had closer links with former colonial partners than with their neighbours. That needed to be changed, with an emphasis on regional and sub-regional co-operation. Several African countries—such as Liberia—had grown to rely on external assistance, only to find it dry up in times of crisis, with neighbours being the only ones willing to come to the rescue.

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

### **Challenges and opportunities**

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

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

Africa also suffered from some negative impacts of globalisation:

- financial contagion;
- crime and drug trafficking—with failed states often providing the base;
- capital flight.

There were, however, some positive developments:

- within Africa, there was now much wider access to international media, such as CNN and the BBC. This made state control of news much less effective;
- compared to previous decades, there had been considerable progress on democratisation and increased participation—there had for example been many more multi-party elections;
- e-commerce was providing new opportunities for Africans to provide services to overseas companies—examples included software developers in Tanzania working for Canadian clients, and translators in Senegal doing work for multinational firms.

Africa also had some intrinsic advantages:

- natural resources, including its biodiversity—in some sense, Africa was not poor but its management was
- a young population, complementing the ageing populations elsewhere

### **Peer review**

Peer review was an important part of the NEPAD process, but needed objectivity and transparency if it was to work properly. An approach based on “you scratch my back, I’ll scratch yours” would fatally undermine the process.

Setting up the peer review mechanism would be problematic and difficult—even developed countries sometimes found problems in economic peer reviews, whether within the European Union or in the IMF and OECD. But it provided safety in numbers: rogue leaders might be able to head off criticism from individual colleagues, but found it much harder if a group of their peers were all saying the same thing.

### **Specific NEPAD policies**

NEPAD had the right emphasis on growth, market access and investment. Nobody ever got out of poverty through ODA. Aid could help African countries do things that wouldn't otherwise be possible. But without economic growth, Africa would never meet its development goals.

Private investment was also essential if Africa was to achieve its goals. That in turn required a supportive climate for investment. NEPAD recognised that the onus was on African governments to create such a climate. It would require long-term commitments. In the past, the favourable impact of policy reforms, tax holidays and agreements on remitting proceeds had too readily been undermined by corruption.

It was welcome that NEPAD addressed the issue of Africa's brain drain. Too many educated and talented people had sought opportunities overseas because of the economic hardships and deteriorating environment in Africa. Africa now needed to find ways to encourage those overseas to return home to help.

Africa had not benefited from the growth in world trade because the playing field had not been level. There had been faults on both sides. As a quid pro quo for securing greater access to overseas markets, Africa needed to change its own policies, and introduce greater openness and less protectionism.

Although African leaders could spell out the overall vision, many of issues called for technocratic solutions, and would require increased capacity on the African side if new solutions were to be found and implemented. This applied to issues such as health, agriculture, water, ICT and several others.

### **The need for wider participation**

NEPAD represented the vision of some talented leaders but had not yet engaged the mass of the people. Nor had the academic community yet been brought on board. NEPAD laid emphasis on partnership, had so far missed the opportunity to draw in the widest possible constituencies within African countries.

As a result, the potential value of NEPAD as a compact between leaders and people had not yet been realised. There was a need for all stakeholders to participate meaningfully in negotiations, and to be involved in the analysis and preparatory work. The ownership of NEPAD should not be the ownership just of *leaders* but also of civil society, business, academe and civil servants. The partnership needed to operate at three levels:

- between people and their governments
- between governments in Africa
- between governments in Africa and those overseas.

### **Conclusion**

NEPAD was a long overdue initiative, and it was important to seize the opportunity it presented.

There was an urgency in moving to implement the NEPAD process, and it would be fatal if it was delayed by red tape on either side. Even though the results would take a long time to come

through, action needed to be taken now in order to reverse the current decline. If Africa went too slowly in fulfilling the expectations that had been raised, the process would lose credibility; with critics arguing it was 'business as usual'.

At the same time, one syndrome plaguing Africa was the way it constantly operated under scrutiny. There was no space to make mistakes, no time to experiment. Already the pressure was building in relation to NEPAD. Outsiders should beware of rushing Africa to do things. The world needed to be patient with Africa while it worked through issues like how to assess which countries should qualify for NEPAD and at what speed.

NEPAD should not be regarded as a panacea. There had been other regional initiatives in the past, and more clarity was needed on how NEPAD would operate differently, and avoid the mistakes of previous efforts. There was a lot of detail to be filled in, and there were uncertainties over how the process would be managed across different countries.

Nonetheless, NEPAD was a hugely significant initiative. The shopping list was larger than everyone could afford, but it provided the basis for mobilisation and organisation, and a process under which people could hold leaders accountable. It provided the essential checks on leaders that Africa had been missing so far. Above all, it provided an opportunity to give Africa back its pride.

## **Discussion**

In the ensuing discussion of NEPAD, the main points that came out under the various headings were:

### **General comments**

- NEPAD focussed on greater accountability on the African side, but that should be matched with greater accountability within the G8. It was important to seek ways to keep up the engagement for the longer term, not just for a few years when NEPAD was flavour of the month. The G8 was notorious for hopping from one subject to another. Getting civil society and business engaged and kept engaged was one way to keep the G8 up to the mark. The plans for making reports to the people of Africa might also be used as the basis for continued G8 involvement.
- It was a false perception that African ownership of NEPAD meant the international community should adopt a hands-off approach. All were stakeholders, including the international community. The African side should not be over-sensitive to outside criticism.
- NEPAD was an impressive initiative, with much potential. But it was in danger of being added to like decorations on a Christmas tree, with attempts being made to find solutions to all the problems built up over decades. This raised expectations and risked creating disappointment. It was important to set priorities.
- the 7% growth target was highly optimistic. It was right to aim high, but even growth averaging 3-4% would be a significant achievement. There was a danger that setting

targets too high could undermine the basis for other goals, and reduce the credibility of the process.

### **Regional and sub-regional focus**

- There was a need to focus on the regional and sub-regional levels. Four southern African leaders acting together had been much more effective in putting pressure on Zimbabwe than South Africa would have been on its own. And general NEPAD objectives needed to be translated into specific and practical country plans. By doing that, the capacity bottlenecks would become more apparent.
- This was also important for business. The corporate world was enthusiastic about the changes that NEPAD might bring. Investment flows had been hampered by bad government, corruption, conflicts, and lack of respect for the rule of law. NEPAD could make a difference—with the reforms to corporate governance being as important as the reforms to political governance. The implementation of NEPAD needed to be tailored to address regional and sub-regional issues: the problems facing businesses were very different in Egypt, Nigeria and the Sudan.

### **Increasing participation**

- More work was needed on ways of introducing greater civil society participation in the NEPAD processes. This was hard: efforts to do this in the World Bank, for example, had so far met with only limited success. The G8 work on NEPAD offered an opportunity to help build networks connecting civil society and business in Africa, and to set up networks on the ground which could mobilise opinion and get input from the grass-roots. It might be worth mobilising support from groups within G8 countries, such as African Americans. One key was better information for all participants—private sector, NGOs and government representatives.
- More also needed to be done to explain and educate people in Africa on what NEPAD was, and what its implications were. Many were ill-informed, and had expectations about aid flows that were unrealistic.

### **Membership of NEPAD**

- It seemed to be accepted that different countries in Africa would move at different speeds. But what should be done for countries that did not qualify to participate in the NEPAD programmes at all? There was a risk of creating the Afghanistans of tomorrow if they were simply excluded. And it was dangerous to punish countries for the actions of their leaders: that just rebounded on the poor.
- There were also inconsistencies in which countries qualified to be included in NEPAD and which did not. Much attention in the West had focussed on governance in Zimbabwe, which was not a NEPAD member. Yet it was arguable that Egypt, which *was* a NEPAD member, had a less democratic system, and less press freedom.

## **Peer review**

- Peer review within NEPAD was crucial. From a donor perspective it addressed one of the key problems: that aid was effective in the right policy environment, and ineffective otherwise. But it would be hard to implement. Leaders were often reluctant to criticise each other. And the appropriate mechanisms for peer reviews had not yet been worked out. Heads of State would not be equipped to monitor implementation without the necessary infrastructure of analysis and support. But even where peer review was informed by technical analyses, it was important for leaders to own the process, so that they felt an obligation to apply the recommendations.
- Peer review involved two elements: one was learning and sharing; the other was accountability. In the NEPAD context, the first was probably the most significant, though it was the second that would attract media attention. The choice of which countries should be full NEPAD partners would be critical. Better analysis was needed to identify those who could not achieve the goals and needed carrots to help them, and those who should be able to achieve the goals and need sticks to encourage compliance. Handling failed states was also an important issue. Even though they might by definition be outside NEPAD, they risked destabilising the process.
- Peer review processes were very labour-intensive, and technical assistance in building capacity would be needed. There was also the possibility that external bodies such as US foundations could do their own peer reviews, rather as Amnesty did for human rights—though that carried potential conflicts with African ownership of the process.

## **Specific NEPAD policies**

- Peace and security issues had not so far been addressed in detail in NEPAD. But they were crucial to its success. Conflicts imposed extraordinary costs, and could create significant tensions between countries included within NEPAD and those not. It was hard, though, to see what additional actions could be generated within NEPAD, particularly at a general level. There were already regional arrangements that worked reasonably well.
- Action on market access might be more important than increasing aid flows—though often harder to achieve. But even small moves on tariffs and access could mean a lot within Africa—for example on textiles. There was more scope for action on the G8 side than was often recognised—for example by building on the US's 'African Growth and Opportunity Act' and on the European Union's 'Everything but Arms' initiative.
- Increasing trade was not just a question of market access. The Lomé Convention had given extensive preferences to Africa, but its market share had continued to decline. Part of the problem was a lack of suitable products. Help was needed to build Africa's capacity to produce goods that met the standards and quality required in other markets
- It was important to look for do-able propositions and confidence-building measures, even if the real benefits of NEPAD would flow through in the longer-term.

### **Future work on NEPAD**

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

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

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

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

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

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

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

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

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

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

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

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

## **Conclusion**

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

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