

Presentation by the Honourable Paul Martin, August 28, 2001
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I want to thank Gordon Smith for the opportunity to speak to you via the medium of video.

It is a great pleasure to do so – though, frankly, I would much rather be with you, to join in what promises to be stimulating and productive discussions.

Let me say, at the outset, that Gordon and Barry {Carin} are to be commended for their foresight in bringing you together.

The challenges that will confront the international community in twenty years and the governance structures that will be needed to successfully respond to them concern me as an individual personally, as Canadian Finance Minister, but also quite clearly as the chair of the G-20 and as the next chair of the G-7 finance ministers' process.

That being said, the search for solutions is not the preserve of governments alone. It is, rather, a responsibility shared with academics, the private sector, the NGO community, and citizens at large.

I am delighted, therefore, that all of you have accepted Gordon and Barry's challenge to provide your "vision" of a better future.

There can be no doubt that such an exercise is timely and important.

In Seattle, Quebec, and just last month in Genoa, we saw outpourings of protest against international institutions, global poverty, and a host of other ills – all united under the banner of the fight against globalization.

To put it bluntly: few issues have this power to mobilize thousands to march in the streets of North America, Europe and Asia.

And, while the protests reflect a range of views, most protesters seem to be motivated by a very basic fear that globalization – the increasingly rapid advancement of technological innovation and economic integration - will entail changes to the social, economic and political fabric of society.

They fear that globalization would benefit a few and harm many.

They fear technological advances over which individuals, groups and governments have no control.

These fears are not without grounds. However, your participation in the 2020 visioning exercise suggests that you believe, as do I, that we can ensure that globalization works for people.

Globalization has the capacity to create great wealth.

The problem is that this prosperity is not shared equitably.

It is simply unacceptable that today, at the threshold of a new century, there are huge pockets of poverty and suffering in which millions live in conditions scarcely different from 100, 200 or 300 years ago.

Addressing this shameful situation and offering all people, wherever they live around the globe, the promise of a better future must be the fundamental imperative that guides the efforts of the international community.

Any government that is responsible and accountable to its citizens will provide the public goods, health and education, for instance, necessary to support economic growth and development.

This should not be controversial even in the strictest economic terms. After all, what we are talking about here is creating the governance needed to ensure that markets work in society's interest.

Successful national economies have a range of supporting legal, economic and social institutions that correct market failures so that Adam Smith's "invisible hand" operates to promote some minimum level of equitable income distribution.

Why is the same not required in the international community?

Addressing the challenges of globalization, therefore, requires that we have the foresight to put in place the necessary governance arrangements at both the national and international level.

The simple fact is that governments, individually and collectively, can either shape globalization – making it work for people – or be shaped by it.

While we have made a start at institution building at the international level over the past 50 years, the problems associated with globalization have revealed weaknesses and gaps in our existing institutions.

The challenge for the international community, therefore, is to co-operate in building the governance needed to effectively manage globalization.

Make no mistake. I'm not advocating some nebulous notion of world government.

I have no doubt that in 2020 the nation state will be the basic political unit.

But, if we fail in the task of creating the appropriate structures for global governance, there is a risk that our "new age" of globalization will founder, just as the last great age of 19th century globalization ended in conflict and economic stagnation.

It is against this background that all of us welcome your views on three key questions.

First, *what* do we govern internationally?

What issues are beyond the range of nation states, acting independently, to manage and resolve effectively?

What do we think of the global community's current efforts to address the spread of HIV/Aids? And, in the economic sphere, do we think that coordinated international action is essential for effective regulation of the financial sector, of competition, for bankruptcy work-outs, or taxation.

This is some of the "what" of global governance.

The second question is *how* should we govern ourselves at the international level.

The "bricks and mortar" model that guided post-war efforts to build global governance through the IMF and World Bank has served us well.

But this model may not be the only way to deal with the complex and politically sensitive issues that we will have to deal with in the future.

For example, there is absolutely no doubt that global action is required on the environment. There are differing views, however, as to how we can best respond to the environmental challenge through a new global environmental organization, or through multilateral agreements at the government-to-government level?

In the economic sphere, the failed merger between GE and Honeywell demonstrates that we do not yet have globally compatible standards for effective regulation of competition. But, again, we must ask ourselves how we might best pursue these goals --through a supranational competition authority, or through greater co-operation among national and regional antitrust authorities?

An alternative to the creation of new "bricks and mortar" institutions to deal with these issues is the development of more flexible networks between government, led from national capitals.

The G-20 is a good example.

Because such networks do not involve the delegation of national authority to some supranational body, they are more directly accountable to domestic political oversight. This is not to say international institutions do not carry legitimacy. They, too, can be democratically accountable, provided that governments, the owners of these institutions, do not leave their activities solely in the hands of un-elected, mid-level international bureaucrats.

So I encourage you to address both the "*what*" and the "*how*" of global governance over the course of the next couple of days.

The third question may well be the most fundamental. What is the best path for poverty reduction and development?

We know that no country has successfully developed by closing itself off to international trade and long-term capital funds. But, as Professor Dani Rodrik reminds us, "...it is equally true that no country has developed simply by opening itself up to foreign trade and investment." Building the competence to maintain a sound macroeconomic

framework and financial sector supervision, and implementing complex international trade rules, impose significant costs on developing countries. And where resources are limited, this may mean fewer resources for the immediate needs of a country's citizens, such as health, education, and the social insurance necessary to adjust to a global economy.

This harsh reality facing developing countries demands that we ask how we can best marry the opportunities offered by integration with the priority that must be given to essential domestic social needs. After all, open trade investments are not ends in and of themselves; they are means to achieving sustainable development and growth. We must, therefore, answer what official development assistance strategies for poverty alleviation will provide, to borrow the words of the IMF, "orderly and progressive" liberalization in a manner that most effectively delivers an equitable response to the base needs of all people in society?

I believe Canada has a unique opportunity to demonstrate leadership in this area of the international debate. Your work will provide an important input into our agenda. Thank you and good luck.