



The AUGUR project
Challenges for Europe in the world of 2030

:

Global governance of tomorrow

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- 1) the nation states, major players in international affairs but their role may have been seriously constrained by the global financial crisis and the costs for the public budgets to cope with the ensuing economic recession
- 2) The markets which conversely have increased their role in international relations , a direct consequence of the globalisation of many markets. But beyond the abstraction of markets the actors are indeed the large multinational firms which are channelling the structuration of these global markets.
- 3) The international institutions , set up for many of them in the aftermath of world war II , they have in the following decades played various roles in the organisation of international relations and gained some momentum and power of their own which make them lasting actors of international governance..
- 4) the Civil society organisations CSOs which benefitted from the rise in internationalisation, leading them to be increasingly used as intermediaries in international relations.



Three phases of global governance 1945-2007

	1945-1973	1973-1997	1997-2007
Nature of global governance	Geo-political governance	Global economic liberalisation	Global financialisation
Nature of the rise of the global system	Post 1945 , two blocks and a third world	Progressive diffusion of a fully fledge economic liberalism	The rise of the supremacy of finance...over free market rules
Nature of crises and changes	End of Gold exchange standard, 1971 Oil crisis 1973	A progressive Globalization of markets with defensive regionalization processes and ...recurrent crises in various product markets	The globalization of finance increased both the connectivity and the opacity of operations, thus increasing risk and instability ending in a global financial crisis in 2008.



Global Governance : actors and fields

The fabric of global governance can be decomposed by (interdependent) domains:

financial markets, with a special focus on types of controls, room of manoeuvre for bankers and capital,)

product markets, looking especially at the dimensions of fairness (public good) and the possibilities of long term strategy of access (ownership, property rights,..).

debts and global imbalances , looking at exchanges rates and fiscal competition: underlining the conditions of arbitrage between generations (debt and fiscal issue) and between countries (exchange rates and fiscal issue)

Defence issues, looking at the strategies through magnitude and orientation of military expenditures altogether with their impact on security issues of some product markets.



actors

- 1) Nation states , by developing accords and agreements (bilateral , regional or multilateral) ...traditional role
- 2) International institutions (the heritage of post world war II institutions with two main groups : BWI Bretton woods institutions and UN institutions , altogether with institutions of the third phase like WTO
- 3) Multinational firms with global strategies towards nations states, international institutions, and CSOs (see lobbying and CSR activities)
- 4) Civil society organisations CSOs (of which NGOs) emerging in the third phase as meaningful partners in setting agenda and service providers , with accreditation procedures ... a role enhanced by the expansion of medias and internet connections

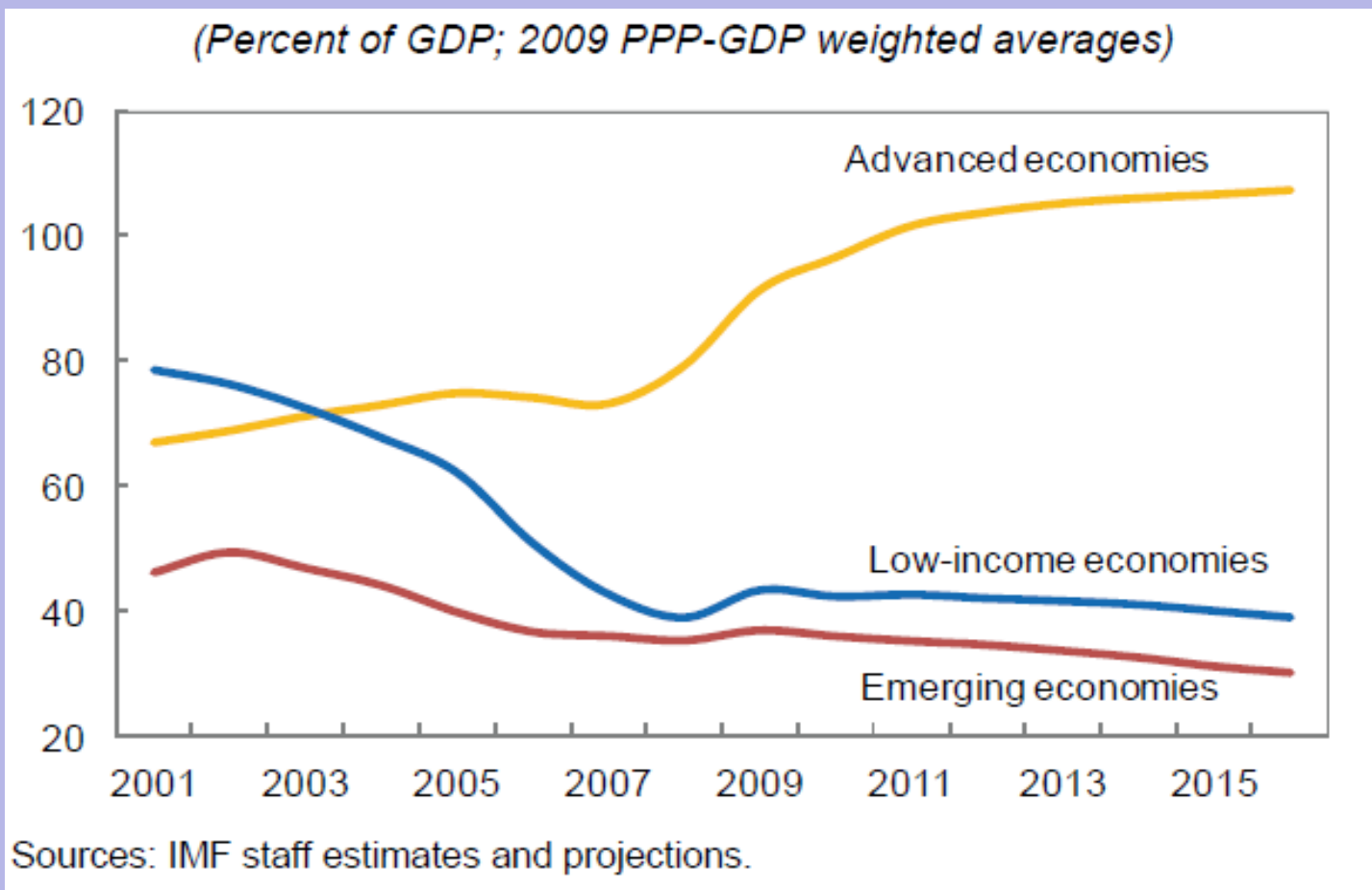
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Four basic governing assumptions

Consolidation: consolidation of the influence and active role of financial institutions and business corporations at the expense of governments. *It largely results from the high levels of public indebtedness induced by the cost of the 2008 bails out.* In this context government may continue to face financial problems and reduce its active interventionist role in social, industrial, economic and financial policy. Market relationships within a global financial system regulated by central banks and large commercial banks would dominate the policy space.

Bipolar: *management of the global system on the central basis of a non cooperative dual hegemony of China and the US* , with Europe playing some kind of balancing role. China and the US monitor trade , finance and access to non renewable resources to boost their own internal demand.

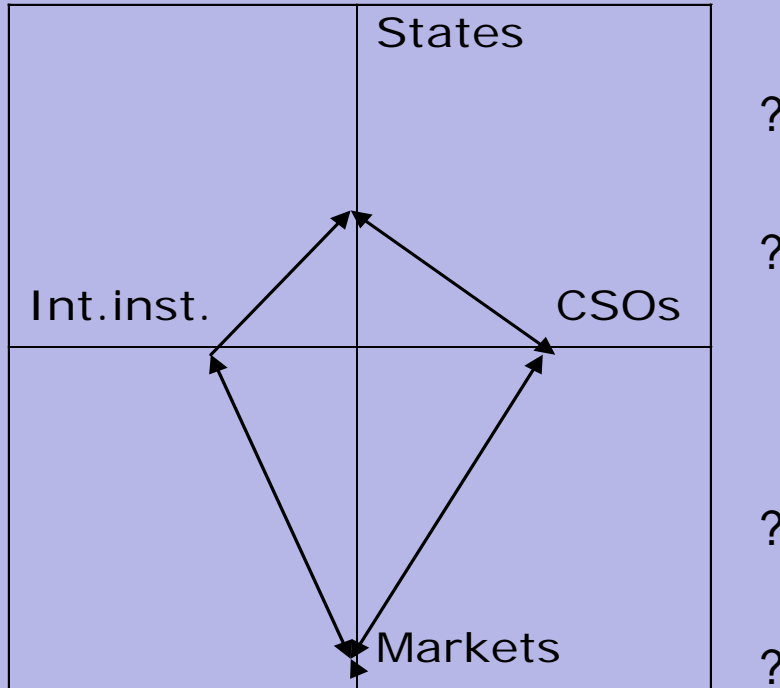




Regionalisation: reduced emphasis on global solutions and reduced dependence on global institutions and markets, achieved in part by *deepening regional institutions and markets*. This could be examined following the principal of subsidiarity, i.e. making serious attempts to see how dependence on global policies can be minimised without losing the benefits of open relationships between regions.

Multipolar: *based on a wider cooperation on the whole range of global issues* as well as problems facing China and the US mentioned above and those that are important to other regions or country groups. ...a scenario up to the environmental challenge

Finally ,major importance of the North/South issueafter a big shift in economic powerlargely fueled in the last decade by the globalisation of finance,



The relative weight of actors will vary according to the field under view
From the retreat of the state thesis of the third phase
To a return to big government in the fourth phase? Unlikely
Transformations are more complex



Global governance of tomorrow

Will depend on how each big actor will respond to current challenges and to the ones likely to emerge in such and such global context.

Current challenges for:

- Nation states : 1) after the trend of « privatization » what should be the role of the state? 2) what will be the financial autonomy of the state?
- International institutions : which issues are they going to manage and under which schemes (BWI , UN ...and WTO ...)
- Markets : which organizations at a time of finite resources (Malthus revenge) ? Which regime for agriculture , oil and other non renewable resources,...
- CSOs : to what extent can they join their forces, share objectives and strategies, using medias and internet ,...be transparent, accountable, ...even if some segmentation is there to stay (lobbies ..vs NGOs ...not to speak of religions)



We have investigated these current challenges and the forthcoming ones in various contexts in working papers on:

- The future of the WTO ... (and of BWIs) which insisted on the blockage of the WTO (core institution of the third phase of global governance) on sectoral issues (agriculture and services where the north south issue raised could not be solved) and on the discrepancy brought by the lack of attention paid to biases among exchange rates.
- The main issues around the internationalisation of agricultural markets, underlining the « strong » strategies of China, Brazil and the US and how these will strongly shape scenarios.
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- The trends in privatisation and expected role of the states...all of which combine strong national characteristics and a general trend initiated at the turn of the 80s towards a retreat of the state. Challenges to this trend is also a key determinant of the forward looking scenarios
- Finally we have investigated the trends in the evolution of pension schemes which are also going to condition strongly in each country the role of finance and of the state

It is on the basis of these diverse investigations that we have tried to assess the contents of the various governing assumptions that the project has retained.



Consolidation	Main stylised impacts by actors
Countries	Developed economies initially most affected, cumulative effects of austerity plans, reduction in public spending, no tax increase (fiscal competition), stagnation in the developed world progressively impacting developing world, but differently for ageing societies like China urged to develop social schemes and countries like India (greater autonomy) or Brazil (opportunities linked with liberalization of agriculture). Poor efficiency of G20
International Institutions	<p>reactivation of BWIs continued, Change in WTO to integrate financial issues, allowing some further liberalization of trade (agriculture and services)</p> <p>UN security schemes develop according to product shortages threats</p>
Markets and firms	<p>Increasingly taking over editing rules and norms , controlling ratings and environmental constraints, as well as pushing risky technological changes (GMOs, nanos, nuclear,..).</p> <p>The extension of these developments still conditioned by the strategies of multinationals from emerging countries , depending on their "sovereign vs publicly listed" dimension.</p>
CSOs	<p>Rise of CSOs (mainly NGOs) protesting again austerity plans, International coalitions of NGOs developing.</p> <p>CSR Actions focused on multinational behaviours</p>



CONSOLIDATION	Main stylised impacts by domains
Financial markets	regain impetus, back to risky finance, little control further extension to developing world
Product markets	Risks of shortage crises on markets of vital resources (agriculture, oil and other non renewable resources, access to patented technologies more expensive
Debts and global imbalances	Lasting pressures of trade deficits and budget deficits on nation states by the financial world, fueling further liberalization and privatisation.
Wild cards	A new global financial crisis likely, some global social crisis could occur following diffusion of lasting binding austerity plans
Time profile	Severe recession in the first decade, variants in the second Much depending on large developing countries having kept some room for manoeuvre (India, Brazil,..)



Bipolar	Main stylised impacts by actors
Countries	<p>The US adopt a less rigorous budget policy to develop internal demand. China shifts its policy in favour of supporting internal demand to compensate the slowdown in exports and to meet “new” welfare needs (ageing). Its budget surplus strongly reduces</p> <p>G20 keeps status quo under the dual non cooperative hegemony of the US and China. Pragmatic solutions to keep the balance between the two continent economies (exchange rates, access to non renewable resources, to new technologies,...).. This may keep the euro high, reduced its access to non renewable resources, to technologies ...some common European policies on these issues will become necessary. Europe does not escape austerity plans.</p>
International Institutions	<p>BWIs have a reduced role (managed by the tamed G20), WTO is of little use ,remains blocked or disappears. Bilateral agreements balancing between the two blocks organize the new fabric of international relations.</p> <p>UN security schemes develop on most product markets</p>
Markets and firms	<p>The strong positions taken by the two economy continent reduces the room for manoeuvre of multinationals. Whether firms develop regional arrangements is an issue.</p>
CSOs	<p>CSOs (both NGOs and non NGOs) strongly protest against the imperialist views of the dominated G20., and the inaction to fight the climate threat.</p> <p>Meanwhile CSOs are more and more involved in running the UN security schemes.</p>



Bipolar	Main stylised impacts by domains
Financial markets	Controlled on both US and China sides, with China building its own financial connections. Does reduce the risk of a global financial crisis. ...although confrontation over exchange rates may launch a global crisis, all the more so that easy money policies in the US and in China may be difficult to "accord". ..with large rises in inflation destabilising countries
Product markets	Severe Risks of shortage crisis on product markets of vital resources (oil, agriculture,) Environmental policies at lowest;
Debts and global imbalances	Trade deficits are maintained ..budget deficits may also follow what is done in the US and in China. Pressure of financial markets will be less present. Power of the states will be slightly restored , if only following the example of China and the US. Social welfare will remain under pressure. Inequality within and among countries will remain high.
Wild cards	Some major clash between the US and China either on the monetary arrangements or on the access to non renewable resources. Chiefly large zones around Central Asia remain major places of conflicts. ..more than todayleading to open wars as the opposition between China and the US is more likely to fuel conflicts than to circumvent them.
Timing	The time of the dual hegemony may well last over two decades..but this scenario may also end before , with big disasters either in environment or in a nuclear conflict as some countries of the region and more to come are nuclear powers.



Regionalisation	Main stylised impacts by actors & domains
Countries	The world is divided in blocks that have accepted to organise their integration in the world economy on the basis of some regional solidarity. Still regions have unequal potentials and there is a hierarchy between rich and poor regions.
International Institutions	<p>BWIs are split into coordinated regional institutions , WTO is integrated to this new institutional architecture so as to link financial and commercial issues.</p> <p>UN security schemes tend also to be segmented at regional level.</p> <p>Some redistribution between regions may be lacking</p>
Markets and firms	<p>Regional arrangements between firms may develop,</p> <p>Although there are less incentives for businesses to organize at this level if only to take advantage of the infrastructure projects that regional policies may launch</p>
CSOs	CSOs restructuring will mirror what is happening at the levels of firms and of international institutions. Still their propensity remains when they organize at international levels to favour global levels. The importance of UN security schemes at world level will channel the development of NGOs, all of which will help to link these actions to the "global" environmental issues.



regionalisation	Main stylised impacts by actors & domains
Financial markets	Regional financial places may develop which requires some taming of the old places, and hence some reduction in the current "financialisation".
Product markets	Regionalisation controlling trade flows by means of various product norms leaves largely unsolved the North south issue. . Coordinated regional Environmentalist policies are in question Tensions among regions remain especially high regarding agriculture and access to all non renewable resources
Debts and global imbalances	Regional solidarity helps to get rid faster of high levels of debt. Inequality between regions remain high. If the role of the state is not fully restored; regional authorities redefine the "commons" and some public domain (if only to cope with inequalities within regions ..and soften the poor democratic record of past regionalisation trends.
Wild cards	Environmental threat remains a major issue. One region may collapse, tensions around zones like central Asia where regionalisation processes will either be weak or incomplete remain likely.
Time profile	For a decade or so the lack of solidarity between regions may not be too risky. After that the issue this issue of global solidarity may become much more problematic.



Multilateral	Main stylised impacts by actors
Countries	The world may be divided in regional blocks but regions and countries are ready to develop pro poor growth mechanisms on line with what environmental threat requires. The north south issue is addressed upfront....including migration as well as investment schemes. G20 is not deciding for the rest of the world.
International Institutions	BWIs and WTO are deeply transformed to support inter regions solidarity. The UN develop its agencies around major schemes for a transition towards a global green economy.
Markets and firms	Confronted with such overall mobilization, businesses organize themselves globally around this development of a world wide green economy. Priorities have to be assessed.
	Some revival of CSR practices in order to legitimate the big investments in this green strategy.
CSOs	CSOs (NGOs and non NGOs) accompany this mobilization, both helping to set agendas and to manage the implementation of these new schemes.



multilateral	Main stylised impacts by domains
Financial markets	New international schemes are required ..which means a preliminary taming of the old financial markets (even harder than with regionalisation).
Product markets	Trade is strongly conditioned by environmental norms.
Debts and global imbalances	International solidarity helps to support the development of poor regions....implying some redistribution. Trade growth is more on line with the slow growth of developed economies...meaning that developing world relies more on internal demand, especially adapted to local production capabilities.
Wild cards	An ecological major disaster challenging the supportive schemes of UN agencies. .
Time profile	The scenario can start rather slowly ...eventually after the trial of a regionalisation trajectory. .



Thank you for your attention