

2017 IMPERIAL SPRINGS INTERNATIONAL FORUM

GLOBAL GOVERNANCE and
CHINA'S PERSPECTIVE

Final Report



从都国际论坛
IMPERIAL SPRINGS
INTERNATIONAL FORUM



澳中友好交流协会
AUSTRALIA CHINA FRIENDSHIP
AND EXCHANGE ASSOCIATION



中国人民对外友好协会
Chinese People's Association for
Friendship with Foreign Countries



WORLD LEADERSHIP ALLIANCE
CLUB DE MADRID







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FOREWORD



Dr Vaira Vike-Freiberga

**President of the World Leadership Alliance-Club
de Madrid and President of Latvia (1999–2007)**

Madame Li Xiaolin

**President of the Chinese People's Association
for Friendship with Foreign Countries (CPAFFC)**

Dr Chau Chak Wing

**President of the Australia China Friendship and
Exchange Association**

DR VAIRA VIKE-FREIBERGA

President of the World Leadership Alliance–Club de Madrid
and President of Latvia (1999–2007)



Foreword

Few will question that the multilateral institutions designed and established after World War II – basically, the United Nations and Bretton Woods organizations – served most nations well during the second half of the 20th century, meaningfully responding to major challenges such as decolonization, the end of the Cold War, global security and financial, trade and economic relations and development. Even though an intricate, more focused and much broader web of global, regional, formal and ad hoc multilateral organizations was also developed during the past 70 years, the core of our global governance system has remained basically unchanged and is increasingly being viewed as ineffective in tackling the multiple, complex and often transnational 21st century challenges.

Nowadays, many institutions are regarded as unrepresentative, feeble and even obsolete structures. Following from this, there is a significant decline in both institutional legitimacy and accountability, which leads to a perception of institutions not being sufficiently inclusive and unable to align decision making processes to changing dynamics in the international arena.

Times call for a profound reflection on the way to reshape the normative order behind today's global governance, unlocking the capacity of new and old institutions in a context of unstable and unpredictable complexity

Behind these perceptions lie important shifts in the roles assumed by the major players, particularly as we witness the current U.S. administration taking steps back in its historical international stewardship and China stepping in to fill the vacuum, positioning it front and center in today's global economic and political landscape. Reality is thrusting the multilateral system to transformation.

Times call for a profound reflection on the way to reshape the normative order behind today's global governance, unlocking the capacity of new and old institutions in a context of unstable and unpredictable complexity. Two major global agreements adopted at the end of 2015 – the Paris Climate Agreement and Agenda 2030 – have marked a new, more inclusive approach to addressing vital, universal challenges.

Political will was harnessed and we find, particularly in Agenda 2030, a universal framework for all nations to seek sustainable, inclusive and peaceful societies. “Leaving no one behind”, however, will require a global governance system capable of supporting and facilitating dialogue and the development of a vision that will allow us to meet the demands of a new era. We must push for the appropriate implementation of these agreements. They must not lose steam.

This is why this Imperial Springs International Forum held from the 29–30 November, 2017 in Guangdong, China, after the 19th Party Congress, was so timely and useful. In order to harness all the potential that China's stronger presence in international affairs brings, it is important to establish a dialogue to help identify how China can best contribute to that multilateral system

of the 21st century that we are looking forward to. The need for a shared vision is the inevitable first step in the development of a system that can be accepted as legitimate by all, that takes into account the interests of states and their citizens, and that balances these with the requirements of regional and global stability and progress.

This two-day Forum centered on an open dialogue on global governance and China's perspective in order to identify key issues and best practices for a strengthened multilateral system. World Leadership Alliance–Club de Madrid (WLA–CdM) Members, expert practitioners and scholars from around the globe focused on an analysis of specific international drivers that call for reform, in order to analyze how to unleash their full potential. These were challenges in global governance, trade and finance and sustainability.



Foreword

A limited group of WLA-CdM Members were honoured with the opportunity to share the conclusions with **President Xi Jinping** in Beijing in a face to face fruitful exchange. This was the first meeting held by President Xi with an international organization following the 19th Party Congress, evidence of the relevance and traction the Imperial Springs International Forum has gained in a few short years.

Since 2007, the WLA-CdM has been deeply involved in strengthening international governance. We have been active in the mobilization of the political will towards a global effective, efficient and equitable post-2012 climate agreement. Already back in 2010, our Members decided to contribute to the debate on the reform of the international governance architecture and to support the G20 presidencies in favor of a long-term and sustainable approach, focused on bringing about a more fitted, yielding and representative system, capable of responding to the realities and challenges of the 21st century.

As for the SDGs and Agenda 2030, the WLA-CdM actively engaged with key UN endeavors and stakeholders during the drafting process and supportive of the development of the inclusive strategy of “leaving no one behind” that was an essential aspect of SG Ban’s legacy. It is an honour for us to have SG Ban now with us as a Member of the WLA-CdM. We are now working to support the implementation of Agenda 2030.

It was an honour for the WLA-CdM to co-organize our second Imperial Springs International Forum edition. I would like to thank our partners – the Australia China Friendship and Exchange Association, the Chinese People’s Friendship with Foreign Countries Association, the Province of Guangdong, the City of Guangzhou and the Ministry of Foreign Affairs of the People’s Republic of China – without whose support, this Forum would not have been possible.

Last but not least, I wish to thank all experts and participants who contributed towards making the Imperial Springs International

A limited group of WLA-CdM Members were honoured with the opportunity to share the conclusions with President Xi Jinping in Beijing in a face to face fruitful exchange

Forum a “must attend” event, bringing an international and Chinese perspective together in an open and constructive exchange on a variety of issues of global importance. We look forward to engaging in further editions to continue contributing to a strengthened global governance system capable of nurturing more peace, prosperity and sustainability for all.

It is with great pleasure that I share with you the warm message received from the U.N. Secretary General, World Leadership Alliance – Club de Madrid Member and friend, Antonio O. Guterres, on the occasion of this year’s edition of the Imperial Springs International Forum:

26 November 2017

“Dear Vaira,

I pay tribute to the outstanding contribution of the Club of Madrid and its members to the advancement of the global agenda of prevention of conflict, mutual understanding among peoples, good governance, climate action and all other dimensions of a fair globalization and multilateralism.

I wish the best success to your Policy Dialogue in Guangzhou and the Imperial Springs International Forum.

Warmest regards,

Antonio

(Antonio O. Guterres)”

This is yet another example of the recognition that the Imperial Springs International Forum continues to receive and, I hope, a prelude of things to come. ■

MADAM LI XIAOLIN

President of the Chinese People's Association
for Friendship with Foreign Countries (CPAFFC)



With the joint efforts of the Chinese People's Association for Friendship with Foreign Countries (CPAFFC), Australia China Friendship and Exchange Association (ACFEA) and the World Leadership Alliance (WLA), the 2017 Imperial Springs International Forum (ISIF), achieved a great success. Focused on the "the Global Governance and China's Perspective", the Forum gathered former world leaders, renowned scholars and business representatives to exchange views and suggestions on global governance, as well as Chinese approaches on the subject. Chinese President Xi Jinping met with major foreign delegates to 2017 ISIF in Beijing on November 30th.

During the meeting with former world leaders, President Xi said, a new type of international relations meant countries need to uphold mutual respect, fairness and justice and win-win cooperation, abandon law of the jungle, promote dialogue and partnership instead of confrontation and alliances. He believed that a community with a shared future for humanity would bring us lasting peace, universal security, common prosperity, as well as an open, inclusive, clean and beautiful world.

President Xi said as a country of over 1.3 billion people, China contributed to the building of a community of shared future by maintaining its own long-term stability and development. China would always follow the peaceful development path and would never seek hegemony like great powers did, adding that China's cooperation with other countries was never attached with strings to interfere with their domestic affairs. China would take a more active posture in global governance, including facilitating the political settlement of international issues, participating in UN peacekeeping missions, implementing the Paris Agreement and the 2030 Agenda for Sustainable Development.

Since the founding of the People's Republic of China in 1949, especially since the reform and opening-up in 1978, China has undergone great changes. It has become the second largest economy in the world and improved the lives of more than 1.3 billion people, getting 700 million people out of poverty. Xi explained the country's task was to satisfy people's increasing needs on many fronts and China wanted to turn itself into a great modern socialist country that is prosperous, strong, democratic, culturally advanced, harmonious and beautiful by 2050.

Last October, the Communist Party of China successfully held the 19th National Congress. The Socialism with Chinese characteristics has entered a new era. The Conference focused on the people's yearning for a better life, formulated the program of action and development blueprint of socialism with Chinese characteristics in the new era, as well as established the decisive goal of building a moderately prosperous society in all respects. The 19th National Congress was a new historical milestone in the course of Chinese development. President Xi called on the people of all countries to work together to build a community with a shared future for humanity and build an open, inclusive, clean and beautiful world that enjoys lasting peace, universal security and common prosperity. China's development cannot be separated either from the reform and opening up or the cooperation and exchanges with other countries. The dream of the Chinese people is closely connected with the dreams of the peoples of the world. And we are ready to work with the people of all other countries to build a community with a shared future for humanity and create a bright tomorrow for all of us.

Since the establishment of the "Imperial Springs International Forum", this initiative has become an important tool in promoting mutual understanding and mutual trust, as well as a platform inviting all comments and views on common issues and interests of the worlds. In 2017, we focused on "Global Governance and China's Perspective", which invited most interesting and thought-provoking discussions. We talked about ways to improve global governance so as to meet current challenges and how China could contribute more to today's world.

At the Forum, we received many inspiring comments on China's development as well as China's ever growing role in the world. For instance, some foreign dignitaries believed China in the new era would bring more benefits to the world, as the country had shown in leadership in global economy and promoting a multi-polar world. They applauded China's efforts in making globalization more balanced and inclusive, its commitment to international partnership in addressing climate change and its assistance to developing countries. Also, the Belt and Road Initiative and the Asian Infrastructure Investment Bank proposed by China would offer more opportunities for other parties to work with China.

Established in 1954, the CPAFFC is one of the earliest national people's organizations of the PRC engaged in people-to-people diplomacy. With the aims of enhancing people's friendship, furthering international cooperation, safeguarding world peace and promoting common development, CPAFFC makes friends and deepens friendship in the international community and various countries around the world. Apart from our work in developing sister-city relations, CPAFFC as a member of United Cities and Local Governments, participates in international cooperation on behalf of Chinese local governments. Moreover, as a nongovernmental organization with general consultative status at the U.N. Economic and Social Council, it takes an extensive part in U.N. Affairs.

Here, again, on behalf of the CPAFFC, I would like to extend my sincere appreciation to our partners and all the participants for devoting your time, experience and ideas for the Forum. We are looking for further collaboration with ACFEA and WLA to make good use of the ISIF, and promote world peace and development. ■

DR CHAU CHAK WING

President of the Australia China Friendship
and Exchange Association



Foreword

Imperial Springs International Forum as an International Express to China.

Imperial Springs International Forum is an innovative platform for global and regional exchanges and cooperation. Initiated in 2014, the Forum has been held annually in Guangdong Province, the frontier of reform and opening up in China.

In November 2017, the 4th Session of Imperial Springs International Forum was held in Guangzhou co-hosted by Australia-China Friendship and Exchange Association, Chinese People's Association for Friendship with Foreign Countries and World Leadership Alliance. 2017 Imperial Springs International Forum was held under the theme "Global Governance and China's Perspective", which echoed the current concerns and development trends of the world. More than 200 political, economic and academic leaders, together with over 100 journalists attended the Forum. They communicated and exchanged with sincerity and honesty and yielded abundant and influential fruits.

On November 30, 2017, **President Xi Jinping** met at the Great Hall of the People with Members of the World Leadership Alliance, who had attended the **2017 Imperial Springs International Forum**.

President Xi highlighted China's development path, and its principles and perspectives on global governance, and listened to the speeches delivered by representatives of the distinguished foreign guests. He expressed his appreciation to old and new friends in the **World Leadership Alliance** for their efforts to boost exchanges and cooperation between China and the rest of the world. He said that hopefully the leaders coming from the 5 continents would continue to contribute their wisdom and offer their suggestions on further enhancing mutual understanding and friendship among peoples. The meeting was reported by more than 1000 media globally, which had exerted tremendous and profound influence. According to preliminary statistics, information about the Forum had been read by more than 100 million people internationally.

As one of the co-hosts, organizers, and witnesses, I deeply felt that the 2017 Imperial Springs International Forum had been another great gathering for friendship and mutual understandings. Participants coming from different countries had established contacts with one another and enhanced their mutual understandings on the high-level open platform despite their diversified cultural backgrounds and experiences. They have also brought home happy memories about Guangzhou and Beijing.


Living in a world featuring complexity and diversity, we need to further our mutual understanding and respect, pursue harmonious coexistence and seek common grounds while reserving minor

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differences. Through friendly conversations and joint efforts, we can dispel misunderstanding and settle disputes.

I believe that with your support and efforts, the Imperial Springs International Forum will become one of the most distinctive forums across the globe and add even more luster to the fascinating landscape of the Imperial Springs. You are always welcome to the Imperial Springs, your international express to China! ■



MEETING WITH PRESIDENT XI JINGPING

A group of WLA-CdM Members had the opportunity to share the conclusions of the 2017 edition of the Imperial Springs International Forum in a face-to-face and very fruitful exchange with His Excellency President Xi Jinping in Beijing. This was the first meeting between President Xi and a group of international leaders following the 19th Congress of the Communist Party of China, evidence of the relevance and traction the Imperial Springs International Forum has gained in a few short years. President Xi took this opportunity to thank the WLA-CdM Members for their insights and thought-provoking ideas and to outline his vision for China and global governance as outlined below.



China is embarked on a path to development through socialism with Chinese characteristics; this is the choice of the people, the choice of history; China has tried other systems – monarchy, parliamentary, presidential – but all of them have failed. Only time and practice show the truth, and socialism with Chinese characteristics has proven to be the successful chosen path.

Over the past 4 decades, China has gradually opened up, enjoying historical high levels of growth. As a result, the Chinese are leading a better life; 700 million persons have been pulled out of poverty in

China, which is both a positive sign for China and a significant contribution to the world. This socialism with Chinese characteristics has brought China into a “new era”; in a spirit of win-win cooperation, China wants to share the benefits of its growth model with other countries.

Nevertheless, the challenge of meeting material needs of the people has historically been the main difficulty in Chinese society. This is now being overcome, since most material needs have been met as a result of fast, high levels of growth. However, other needs like a good ecology must also be met. People of different strata have different

needs – and China is now suffering from imbalance: the Chinese have different needs and the government must respond. Beforehand, the governmental focus was on achieving material satisfaction, but the ultimate aspiration of the Chinese Communist Party is the provision of a happy life for the entire Chinese population.

The 19th National Congress arrived at two major political conclusions. The first is that socialism with Chinese characteristics has entered a new era. The second, that the principal contradiction in Chinese society has evolved into one between unbalanced and inadequate development and the people's ever-growing needs for a better life. This is the basis of China's strategy (a solemn promise to the world), resulting from the 19th PC that can today be summarized as follows:

- By 2020, the 100th anniversary of the foundation of the CPC, achieving a moderately prosperous society with both aggregate and per capita income increasing twofold; with 10 million out of poverty per year: by 2020, having the entire population out of poverty.
- By 2035, making China a modernized country – economically, politically, socially and culturally.
- By 2050, building China into a strong, prosperous, culturally harmonious, beautiful, democratic society.

The goals are simple but great at the same time. China has to shift from high speed to high quality growth, increasing the dynamism and depth of more than 1500 pending reforms.

Some countries are beginning to de-globalize, closing their doors. Not China.

Each country has the right to choose its development path – *“only the shoe wearer knows whether the shoe fits or not.”*

Some countries are beginning to deglobalize, closing their doors. Not China. How can we possibly imagine uniformity when each leaf in a tree is different?

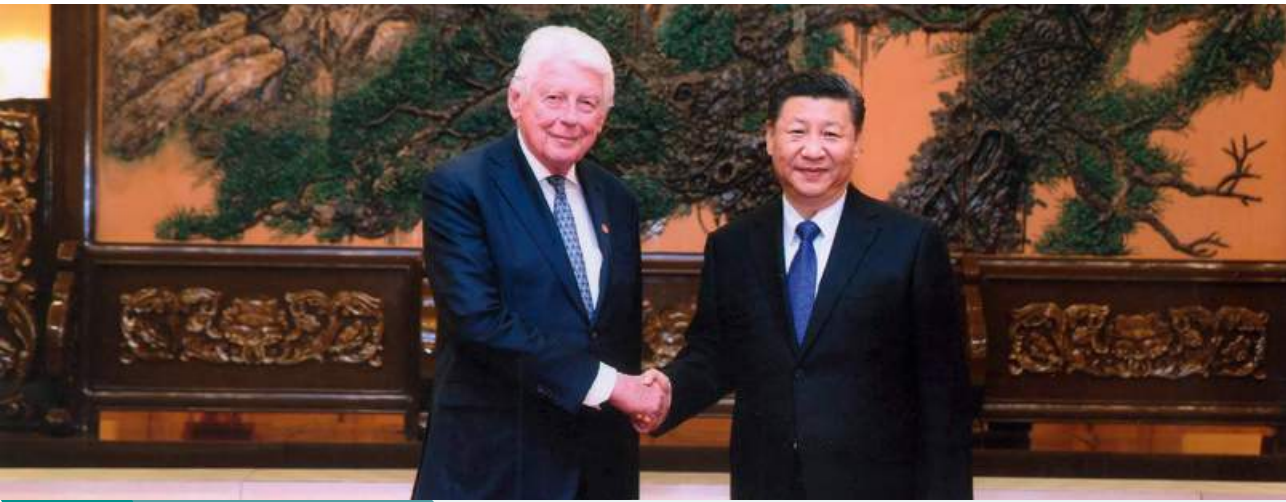
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5000 years of practice have shown us that it is possible to achieve harmony without uniformity; in China there are more than 2500 ethnic groups and religions – “how can we possibly imagine uniformity when each leaf in a tree is different?”

No simple philosophy can apply to all peoples. China respects cultural diversity while promoting exchange.

The world is a global village and countries are interdependent in their pursuit of development. China is seeking a new type of development, based on *shared prosperity and a shared future for mankind, respecting fairness, justice, cooperation and non-interference in the affairs of others*. Dialogue, partnership and collaboration instead of confrontation. Peace, development, trade, prosperity – the dream that has united Chinese people and that it now wants to share with others. China feels it has a responsibility to help poorer countries, respecting sovereignty, equality, rights, opportunities and rules so all can share in prosperity.

If China can maintain long-term stability and prosperity, this is positive for all. Because



of the size of its population, instability in China could produce instability in the world, even if only with potential emigrants. Chinese stability and the path of peaceful development contribute to global stability and growth. China *favors having a strong military apparatus but only to defend itself and to avoid humiliation; it does not seek to expand or to impose*. The B&R Initiative is the ultimate example of how China seeks to foster the growth of its regional neighbors without imposing its conditions.

China also embraces multilateralism: it is an active advocate of the UN in international affairs. It upholds its authority. China does not seek to bypass the World Bank or the IMF but to complement it, to pursue reform through an incremental approach and work with others to achieve a fairer

global system, particularly for emerging markets.

As an emerging and still developing country, China is not yet fully engaged in all multilateral discussions. It stands ready to support new institutions and platforms relating to the oceans, the poles or the outer space, among many other issues.

At first, China did not have a proper understanding of climate change, which is why it was not responsive enough in Copenhagen. China evolved and is now a firm proponent of cooperation to tackle climate change.

As with climate change, China's position on another urgent matter (the proliferation of nuclear weapons in DPRK) has remained committed – it supports the denuclearization of the Korean peninsula, a close neighbor, and

the suspension of US military exercises. In the interest of peace and stability, it is opposed not only to the use of nuclear weapons but also to the violent resolution of conflicts.

China has engaged and played an active role in conflict resolution in recent years – in, Afghanistan and South Sudan – as well as in the formulation of Agenda 2030.

China's foreign policy is focused on peace, stability and development for prosperity. It is willing to work with all countries although it does not expect to agree with all of them.

President Xi thanked all leaders and indicated his interest in further, similar meetings in different cities of China, so the leaders can engage with other persons and gain a more comprehensive understanding of China. ■

The background of the entire page is a photograph of traditional Chinese architecture, featuring multiple layers of ornate, curved roofs with dark tiles and intricate wooden brackets. A semi-transparent teal rectangle is overlaid on the right side of the image, serving as a backdrop for the text.

28-29 NOVEMBER 2017

PROGRAM

TUESDAY 28TH NOVEMBER, 2017

INAUGURAL SESSIONS

09:30-10:15

Master of Ceremonies:

Xie Yuan, Vice President, Chinese People's Association for Friendship with Foreign Countries

Institutional welcoming:

– **Li Xi**, Party Secretary from

Guangdong province

– **Li Xiaolin**, President of the Chinese People's Association for Friendship with Foreign Countries

– **Zhou Zerong**, President of the Australia-China Friendship and Exchange Association

– **Vaira Vike-Freiberga**, President of the WLA – Club de Madrid. President of Latvia (1999-2007)

Keynote:

Donald Ramotar, President of Guyana (2011-2015)

PLENARY 1

10:30-11:45

Changes in Global Environment and Global Governance

Master of Ceremonies: **Yang Rui**, Anchor CCTV

Facilitator: **He Yafei**, Former Deputy Foreign Minister

Discussants:

– **Ban Ki-moon**, UN Secretary General (2006-2016). WLA-CdM Honorary Member

– **Jenny Shipley**, Prime Minister of New Zealand (1997-1999). WLA-CdM Member

– **Wang Huiyao**, President and Founder,

Center for China and Globalization (CCG). Counselor, China State Council.

– **Zhu Feng**, Director of Institute of International Relations, Nanjing University



BREAKOUT SESSIONS

BREAKOUT SESSION A – Origin and Current State of Global Governance. Discussion Focus: Challenges in Global Governance

Facilitator: Danilo Türk, President of Slovenia (2007–2012). Member WLA–CdM.

Discussants:

- Ramesh Thakur, Director of the Centre for Nuclear Non-Proliferation and Disarmament, Crawford School, Australian National University.
- Wei Zhijiang, Head of School of International Relations, Sun Yat-sen University
- David Scharia, Director, United Nations Security Council, Counter-Terrorism Committee Executive Directorate
- Zheng Yu, Professor at the School of International Relations and Public Affairs (SIRPA)

Respondent: Roza Otunbayeva, President of Kyrgyz Republic (2010–2011). Member WLA–CdM.

BREAKOUT SESSION B – Institutions and Mechanisms of Global

Governance Discussion Focus: Resetting Financial and Economic Governance

Facilitator: Marc Uzan, Executive Director, Reinventing Bretton Woods Committee

Discussants:

- Zhang Weiwei, Director of the China Institute at Fudan University
- José Antonio Ocampo, Co-Director of the Bank of the Republic of Colombia and Professor (on leave of absence for public service) from Columbia University. Advisor of the WLA–CdM
- Xu Hongcai, Non-Resident Senior Fellow of the Center for China and Globalization (CCG) and Deputy Chief Economist of China Center for International Economic Exchanges (CCIEE)
- Wim Kok, Prime Minister of the Netherlands (1994–2002). WLA–CdM Member.
- Ayumi Konishi, Special Senior Advisor to the President of the Asian Development Bank

Respondent: Petre Roman, Prime Minister of Romania (1989–1991). Member WLA–CdM.

BREAKOUT SESSION C – Global Governance and China's Perspective. Discussion focus: Sustainable Development and Agenda 2030: Where the 4I's and 5P's meet.

Facilitator: Yang Rui, Anchor CCTV

Discussants:

- Michael Philip Jeffery, Former Governor General of Australia
- Han Seung-soo, Prime Minister of Korea (2008–2009). WLA–CdM Member
- Ricardo Lagos, President of Chile (2000–2006), WLA–CdM Member
- Chen Fengying, Researcher of World Economic Studies in the China Institutes of Contemporary International Relations
- Rebeca Grynspan, Head of the Ibero-American Secretariat (SEGIB)
- Yao Yao, Associate Professor, China Foreign Affairs University and Director of Research Department of China Public Diplomacy Association (CPDA)
- Zhang Zhenjiang, Dean of School of International Studies, Jinan University

Respondent: Andrés Pastrana, President of Colombia (1998–2002). Member WLA–CdM.



WEDNESDAY 29TH NOVEMBER, 2017

KEYNOTES

09.30–10.00

Master of Ceremonies:

Yang Rui, Anchor CCTV

Keynote Speeches:

- **Wang Chen**, Member of China's Politburo
- **Xie Yuan**, Vice President CPAFFC
- **Zhou Zerong**, President of the Australia-China Friendship and Exchange Association
- **Yukio Hatoyama**, Prime Minister of Japan (2009–2010)
- **Romano Prodi**, President of The European Commission (1999–2004) and Prime Minister of Italy (1996–1998 and 2006–2008). Member WLA–CdM

PLENARY 2

10.15–11.30

Reforming Global Governance Path and Objective. Discussion Focus: Drivers, Shapers and Leadership for a New, Effective Global Order:

Facilitator: **Sean Cleary**, Executive Vice–Chair of the FutureWorld Foundation and Chairman of Strategic Concepts

Discussants:

- **Luis Alberto Porto Rizzo**, Senior Advisor for Strategy and Organizational Development, Organization of American States (OAS).
- **He Ning**, Former Director–General of the Department of North American and Oceanian Affairs, Ministry of Foreign Affairs, Former Commercial Minister of

Chinese Embassy in the United States.

- **Cassam Uteem**, Vice–President WLA–CdM. President of Mauritius (1992–2002)
- **Alexander Likhotal**, Former President of Green Cross International. WLA–CdM Advisor.

Respondent:

Wolfgang Schüssel, Chancellor of Austria (2000–2007). Member WLA–CdM

CONCLUSIONS

11.30–12.00

China's Engagement in Global Governance Reform

Facilitator:

Yang Jiemian, Member, the Foreign Policy Advisory Group of the Ministry of Foreign Affairs of China (FPAG), President Emeritus, Shanghai Institutes for International Studies

Keynote: **George Papandreou**,

Prime Minister of Greece (2009–2011). Member WLA–CdM

Discussants:

- **Zhou Zerong**, President of the Australia-China Friendship and Exchange Association
- **Vaira Vike-Freiberga**, President of the WLA–CdM. President of Latvia (1999–2007)

LIST OF PARTICIPANTS

WLA-CDM MEMBERS

–

Ban, Ki-moon
UN Secretary
General (2006–2016)

Birkavs, Valdis
Prime Minister of
Latvia (1993–1994)

Calderón, Felipe
President of Mexico
(2006–2012)

Han Seung-Soo
Prime Minister of
Korea (2008–2009)

Jebali, Hamadi
Prime Minister of
Tunisia (2011–2013)

Kok, Wim
Prime Minister of
the Netherlands
(1994–2002)

Lagos, Ricardo
President of Chile
(2000–2006)

Lagumdžija, Zlatko
Prime Minister
of Bosnia &
Herzegovina
(2001–2002)

Meidani, Rexhep
President of
Albania (1997–
2002)

Obasanjo, Olusegun
President of
Nigeria (1976–
1979; 1999–2007)

Ochirbat, Punsalmaagiin
President of
Mongolia (1990–
1997)

Otunbayeva, Roza
President of
Kyrgyz Republic
(2010–2011)

Papandreou, George
Prime Minister of
Greece (2009–
2011)

Pastrana, Andrés
President of
Colombia (1998–
2002)

Prodi, Romano
President of
Council of
Ministers of Italy
(1996–1998; 2006–
2008)

Roman, Petre
Prime Minister of
Romania (1989–
1991)

Schüssel, Wolfgang
Chancellor of
Austria (2000–
2007)

Shipley, Jennifer Mary

Prime Minister of New Zealand
(1997–1999)

Turk, Danilo

President of Slovenia (2007–2012)

Uteem, Cassam

Vice-president of the WLA–CdM.
President of Mauritius (1992–
2002)

Vike-Freiberga, Vaira

President of the WLA–CdM.
President of Latvia (1999–2007)

Agüero, María Elena

Secretary General

OTHER PARTICIPANTS

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Bahadur, Chandrika

President, SDSN Association

Bueno, Rafael

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Chairman of Strategic Concepts

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Grynspan, Rebecca

Head of the Ibero–American
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Advisor

Moreno, Pedro Manuel

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Secretary–General

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International Financial Centre

Ocampo, José Antonio

Co–Director of the Bank of
the Republic of Colombia and
Professor (on leave of absence
for public service) from Columbia
University. WLA–CdM Advisor

Piccone, Ted

Senior Fellow, Foreign Policy,
Brookings. WLA–CdM Advisor

Porto Rizzo, Luis A.

Senior Advisor for Strategy and
Organizational Development,
Organization of American States

Prato, Stefano

Managing Director, Society for
International Development (SID)

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Director, United Nations
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Thakur, Ramesh

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KEYNOTE SPEECHES

Donald Ramotar

President of Guyana (2011–2015)

Wang Chen

Member of China's Politburo

Xie Yuan

Vice-President, CPAFFC (Chinese People's Association for Friendship with Foreign Countries)

Zhou Zerong

President of Australia–China Friendship and Exchange Association

Yukio Hatoyama

Prime Minister of Japan (2009–2010)

Romano Prodi

President of the Council of Ministers of Italy (1996–1998), Member WLA–CdM

George Papandreou

Prime Minister of Greece (2009–2011),
Member WLA–CdM

DONALD RAMOTAR

President of Guyana
(2011–2015)

Thank you very much for your kind invitation to participate in this important forum. Allow me first of all to congratulate the organizers. It gives me great pleasure to be here in the province of Guangzhou to discuss the issue of global governance and China's perspective.



This topic is pertinent and timely due to the rapidly changing development in and out of China. It will allow us to analyze the challenges proposed in the rapidly changing world. One of the most important of those is the benefit of global prosperity to all the peoples of the world. Global governance is an important topic in every institution and body that requires international collaboration. Modernly, global governance has its roots in 1945, when the 2nd World War ended and the world leaders moved to establish international institutions. At that time, conditions were very different in our world. The majority of the population was still living in colonies and semi colonies and they were not seen as being relevant to the global decision making. The dominant powers were the United States, the United Kingdom and France. And while the then Soviet Union played an important role, it was in a minority. It was therefore inevitable that those countries really became the most powerful in the global bodies that were in the making, the most important being the United Nations. In fact, it was because of the work of the United Nations that the world population was spared another global conflagration, this is no mean achievement. Importantly too, the UN quite early passed the resolution for the decolonization of the world which resulted in the majority of the world's peoples living in Nation States. Emerging at that time too were important economic, financial and global institutions like the IMF and the World Bank which played and continue to play a central role in international economic and financial relations. However, these bodies did not bring the expected prosperity that the majority of the world's people anticipated.

It is true that absolute poverty has been reduced in our world. This is indeed an important achievement. However, it is not evenly distributed. The main reason has been the successes of the governments like the People's Republic of China, taking millions out of poverty. Why is this a significant achievement? It hides the fact that the relative poverty is probably worse now than ever before. The inequality between countries has grown much wider. According to OXFAM, the richest 1 percent of the world's people

Today there is greater interconnectivity between and among countries than ever before. What happens in one country has a fast and direct impact on others

has more wealth than the rest of the planet: its richest men own the same amount of wealth as the poorest half of our world's population. While much is made about aid towards developing countries, financial flows from the developing to the developed countries dramatically exceed the flows in the opposite direction, contrary to expectations. Indeed, one recently published study reported that the financial flows from the developing countries to the developed world totaled 2 trillion US dollars. More than the financial flows in the opposite direction, and that the accumulative amount of this net flow from 1980 to 2012 is a staggering 16.3 trillion United States dollars. This is an unfortunate and dangerous situation.

All of the above was the result of the fact that the management of the international economic and financial institutions continued to be dominated by a few countries whose national interest trumps all. Today there is greater interconnectivity between and among countries than ever before. What happens in one country has a fast and direct impact on others. Let us recall the East Asian crisis in 1997: while it occurred many continents away, it had a negative impact on the Guianese economy. More recently, we saw the global reach of the 2007 financial crisis in the United States. This has had a massive impact in the world including some of the Caribbean



Keynote Speeches

states. Our region is still recovering from that episode. Moreover, even Europe which has stronger economies and institutions than the developing world, often ignores the will of the people. The case of Greece is one example. The Greek people rejected austerity measures of the EU and the IMF, but the government did not accept the dictate. Such a political drift must have been the result of enormous political pressure. Yet the same forces that ignored the will of the Greek people lecture about the importance of democracy. How ironic is this! This has happened in Europe: then you can imagine what is taking place in the developing world. On an ongoing basis, small poor countries around the world have seen their sovereignty eroded and their democracy undermined by the imposition of neoliberal policies crafted not by the democratically elected representatives, but by international bureaucrats who usurp the policy making and decision-making authority of legitimately elected representatives of the people. And this affront to democracy is perpetuated on the behalf of institutions that profess to be champions and advocates of democracy, and whose boards are dominated by countries that act as self-appointed guardians of democracy around the world.

Because globalization did not bring prosperity to a large part of the world as

promised, we find now a very troubling tendency and growing sentiment to look inwards at a time when we need to be more international. For instance, the US has indicated that it was withdrawing from the Paris Agreement on reducing carbon emissions to improve the world's environment. One of its arguments is that the United States would be disadvantaged by the dispositions of the Treaty. It is so obviously wrong that it borders ridiculousness. The environmental issues have already grown into a huge global problem that it has engendered a significant change in the world's climate, which is causing more disasters in every part of the world. Small island states at low line coastal areas are most vulnerable. Already we see the margins of environmental refugees in the Pacific. Only two months ago two hurricanes of enormous strength ripped through the Caribbean region causing great economic and social disruption. In some cases, total populations had to be evacuated from some islands. Here in Asia, we have been following the news of the devastating Typhoon causing floods and landslides and great loss of lives. The tendency to become inward-looking is not confined to the United States but to Europe as well. The withdrawal of the United Kingdom from the European Union is another example. Moreover, this is breeding nationalisms and fueling movements

Because globalization did not bring prosperity to a large part of the world as promised, we find now a very troubling tendency and growing sentiment to look inwards at a time when we need to be more international

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towards isolationism. The problems are in Spain, Greece and even France, where the growth of the extreme right parties have been a feature of the last election. Clearly in the conditions of rapid globalization, it is a dangerous folly to just think in the category of self-interest as a pause to collective global interest. In these times, the importance of global governance cannot be over emphasized. The solution to these problems calls for cooperation and joint efforts to the whole international community. Now more than ever, we need a new approach to global governance. Policy makers in the international financial institutions must look at a much broader interest.

Ladies and gentlemen, the inequality and disadvantaged positions of the developing world has led to a continuity of poverty and other great social ills. The power exercised by a handful of countries in global institutions has embedded them to push for regime change often in disregard of the masses support. This has led to severe crisis in several countries, including devastating wars that have created the refugee crisis in Europe. The result of all of this has contributed to the growth of extremism in our world. Extremism is not only confined to non-government actors. Some governments are not only looking inwards but are tending to resolve its problems by extreme measures. The expulsion of almost one million persons from Myanmar is clearly an act of extremism by that regime. Our collective experience has shown that such

measures lead to resentment and retaliation, and it releases a vicious cycle of political instability and wars. Political and economic sanctions are rapidly replacing dialogue and diplomacy in the search of solutions. Despite the huge problems that I have tried to give a glimpse of, despite the obvious difficulties that lie ahead of us, of our just and peaceful solution, all is not lost. New positive forces have also emerged that give hope that a better world is possible.

Since 1978, when China opened itself to the world, the economic growth has been phenomenal and this province here is an example of that. Today it is the second largest economy in our world. What is very different about China's growth that we have seen is that it is not being used as an instrument to subjugate other countries. It has not been used as an oppressive force. It has never had colonies. Indeed, it has always been opposed to colonialism and imperialism. It has always resisted domination. That is the approach that has guided its policies in the international relations. We have seen it pursuing partnerships instead of alliances. China knows that the best way to continue its tremendous growth is to assist other countries to also progress and to leave them to live their own development. In pursuing this, it has built partnerships with countries and peoples across continents. In our multipolar world, it has worked with the international community to promote alternative



paths to progress. This approach is offering a real alternative to the neoliberal model which has led to the polarization of wealth both within and between countries. An example of the many partnerships that the People's Republic has forged is that of the BRICS countries. Over the last decade, this partnership has shown that all can win, and for once, we have a genuine attempt to work for a common prosperity. It is now a partnership in international economics. Here we can see that it has progressed to the establishment of a new development bank. Not just to serve the member states but to facilitate the growth and the development of developing nations. This new model of cooperation is demonstrating its vitality: the BRIC countries have increased their portion

of the world's economy from 12 % to 23 %. Its aggregate trade volume has grown from 11% to 16% and 30 % of world's trade. These BRICS countries' contribution to the world's economic growth is now above 50%. China is also experiencing another massive transformation in terms of infrastructure in its Belt and Road initiative. This Project, one of the biggest ever undertaken, will dramatically increase and improve transportation, not just for the countries participating, but for the whole world. It is an initiative that will bring people closer together. Its potential for lifting nations and people out of poverty cannot be over emphasized. But China's contribution is not confined to the economic wellbeing of the world's people. It goes to every important aspect of life. It has taken up the challenge



of promoting environmental protection and to stop and reverse the debilitating impact of climate change. Today it is greening deserts and it has taken the leading role promoting the use of alternative energies. It has now put ecological development and protection as a key pillar to its socioeconomic development program. This, as I have noted is at a time when we see many important countries seeking to withdraw from the international process. The cooperation that has blossomed between China and our region, Latin America and the Caribbean is already bringing benefits to our people. The investment in our region in its structure offers great hope that our life-long dream of ending poverty can become a reality. President Xi Jinping has once more demonstrated the commitment to partner with us in a more tangible way, it has committed to the region's development and Guyana is benefiting from China's assistance in many ways. China is well aware that the progress depends on peace. Moreover, it has no private military industrial complex which benefits from war.

I would therefore like to propose some initiatives that can be pursued to assist in the development of our world. Some of these ideas have been around in various reports and proposals. The Brandt Commission report which was produced in the 1980s contains some interesting initiatives. So too was the proposal of Guyana's President Cheddi Jagan for a new global human order. Both of these were adopted by the United Nations.

Today I will propose a few ideas that should be examined and, if found viable, they should be vigorously lobbied for at the international economic level. I believe that the time has come where no one's country's currency should be the global currency. I am of the view that we can undergo a democratization of international economic relations if we can develop a distinct currency for international trade.

Secondly, the arms trade is one of the biggest businesses in the world despite the fact that the Cold War has ended: it continues to flourish. That business has taken a lot of resources away from civilian production and from investment in the social sector, including education and health. A relatively high international tax should be considered to be put in the arms' trade. Such a tax should also apply to the transport of arms. This is one way of putting back resources for development instead of for destruction while discouraging the production of more destructive weapons. At the political level, we should review the efforts towards nuclear disarmament. More and more countries are trying to acquire such weapons which we all are seeing, are for defensive purposes. However, this has created a very dangerous situation and a real threat of nuclear destruction. I believe that we should push for total disarmament, I still believe that it is good working towards this. However, the immediate priority should be given to banning nuclear weapons.

In conclusion, I hold a strong view that there is a need for the rebalancing of decision making in international, political and economic relief matters. To put this debate into perspective, let me say that China is home to approximately 20% of the global population, it accounts for 15% of the global economy and it contributes more than 25% to global growth. Yet in the major international financial institutions of the world, China holds between 5 and 7% of the voting shares. This means a significant quota reform that has to be fought for. This alone illustrates the imbalances in global governance, a challenge that can undermine the legitimacy of some of the major global institutions in the face of a changing world. Clearly China's contribution to the world's development both in economic and the fight for peace has owned a greater role in global governance. ■

WANG CHEN

Member of China's Politburo

The Chinese Communist Party's 19th National Congress established Xi Jinping's thoughts on socialism with Chinese characteristics in the new era with a broad world view and profound human feelings, contributing China's wisdom to the cause of world peace and development.

Keynote Speeches



This major political message answers the contradiction between the growing needs of a better life, and growing inequality. The congress presented the road map of the great rejuvenation of the Chinese nation.

The general goal of China's diplomacy in the new era is to promote the construction of new international relations, abandoning the "jungle law" and focusing on the human destiny, community building lasting peace, universal security and common prosperity.

Since the 18th CPC National Congress, the CPC Central Committee with Comrade Xi Jinping at its core has been making efforts to explore ways to improve global governance, taking the lead in developing countries, promoting solutions to international and regional issues and providing the world with a Chinese perspective. President Xi Jinping's "Belt and Road Initiative" and the construction of a community of human destinies has been repeatedly included into relevant UN documents. The "Belt and Road Initiative" has opened a new mode of international cooperation, providing a new platform for global governance and became the most popular international public product in the world's largest international cooperation platform. At present, the reform of the global governance system is at a historical turning point.

General Secretary, Xi Jinping, emphasized in the 19th NPC report that the Chinese people's dreams are closely related with the dreams of other peoples and cannot be separated from a peaceful international environment and a stable international order. China will always be the builder of world peace, a contributor to global development and a defender of the international order. China will uphold the global governance concept of "building economically, building physically and sharing with the public", advocate the democratization of international relations and adhere to the principle of equality, strength, weakness and wealth among all countries in the world, and support the expansion of the representation and voice of developing countries in international affairs. China will unswervingly uphold the international order and principles of the

At present, the reform of the global governance system is at a historical turning point

UN Charter as the core and actively safeguard the open world economic system, a clear-cut stand and oppose trade and investment protectionism.

China will promote the reform of the unfair and unreasonable arrangements in the global governance system, particularly in the international economic and financial organizations such as the International Monetary Fund and the World Bank, promoting its democratization to make the world a more balanced governance system reflecting the wishes and interests of most countries.

China will promote the establishment of new mechanisms and new rules in the field of international economics and financial cooperation, strengthen international response to energy security, food security, information security, coping with climate change, fighting terrorism and preventing major global challenges such as catastrophic diseases.

Ladies and Gentlemen, we are all on the "mission" of reforming the Global Governance System in accordance with the principle of "building business, building together and sharing." I firmly believe that under the guidance of Xi Jinping's socialist ideology with Chinese characteristics in a new era and with the strong leadership of the party Central Committee with Comrade Xi Jinping as the core, China will participate more actively in the global governance system, reform and construct in order to make greater contributions to safeguarding the world peace, promoting common development and creating a beautiful future for mankind. ■

XIE YUAN

Vice-President, CPAFFC (Chinese People's Association for Friendship with Foreign Countries)

First, please allow me, on behalf of the Chinese People's Association for Friendship with Foreign Countries, once again to thank all our guests for attending ISIF 2017. Another special thanks to Vice Chairman Wang Chen representing the Chinese government at the 2017 International Forum.

In his speech, Vice Chairman Wang Chen shared the efforts of the Chinese Communist Party and the Chinese government to explore the fundamental issues of the future of mankind. Since the 18th CPC National Congress, they pointed out that the general goal of China's diplomacy in the new era is to promote the building of a new type of international relations and promote the building of human destiny. The concept of a community of humanity reflects not only the genes of Chinese traditional history and culture but also the desire of the Chinese people to follow the trend of the times.

The proposal of a community of humanity not only demonstrates the firm determination of the Chinese Communist Party and the Chinese government to participate in global governance under the framework of the new era, but also shows China's courage to take the historical responsibility of global governance. The Chinese People's Association for Friendship

with Foreign Countries as the earliest private establishment of China Diplomatic groups aims at "enhancing people's friendship, promoting international cooperation, safeguarding world peace and promoting common development." Among them, safeguarding world peace and promoting common development belong to the category of international governance.

For more than 60 years since the founding of the Chinese People's Association for Foreign Countries, China has always been committed to actively participating in the cause of global governance, and promoting the unity and progress of mankind by conducting friendship exchanges between Chinese and foreigners. We lead by example, pragmatically cooperating with local and foreign governments, participating in international organizations and other channels. In the context of the new era, China People's Association for Friendship with Foreign Countries will, as always, extensively and actively participate in



bilateral and multilateral exchange activities and start to build, bit by bit, a foundation for the friendship of peoples.

As the co-organizer of the forum, we sincerely thank all the distinguished guests for their insights during the two-day forum discussion. Let us work together to promote the progress of the global governance system and usher in a better tomorrow for the community of human destiny. ■

The proposal of a community of humanity not only demonstrates the firm determination of the Chinese Communist Party and the Chinese government to participate in global governance, but also shows China's courage to take the historical responsibility of global governance

ZHOU ZERONG

President of Australia–China Friendship and Exchange Association

I would like to express my warm thanks to all the leaders who have long been concerned about and supported the development of these international forums. At the same time, I also extend my greetings to all people from all walks of life who have long devoted themselves to promoting exchanges between China and the rest of the world.

This International Forum is a very important platform for China in order to promote international exchanges in civil diplomacy. It aims to promote mutual understanding and consensus among all of the parties through discussions on hot topics in political, economic and cultural fields so as to promote regional and global cooperation. This year we conducted in–

depth discussions and exchanges on the theme of global governance and China’s position.

Ladies and gentlemen, there are constructive and creative speeches that allow us to analyze the challenges and opportunities facing the current global governance and to understand China’s vision and proposition of global governance. Chinese President Xi Jinping mentioned in

the 19 CPC report that the world is in a period of great development, major changes and major readjustments.

Peace and development are still the themes of all times. All international forums will continue to play a role in promoting the reform and construction of China and the world, the global governance and the realization of sustainable development and efforts throughout the world. ■

YUKIO HATOYAMA

Prime Minister of Japan
(2009–2010)



The election of President Donald Trump was a result of the dissatisfaction with politics among the American people, a characteristic of our polarized world.

As more nations turn to nationalism and populism, like Brexit, Russia and Japan, China's president Xi Jinping oddly declared plans to push on with reforms and open-door policies for his nation, particularly through the Belt and Road initiative. I believe that regionalism defines a healthy collaboration between neighboring nations, as we can see in the Belt and Road project, with the concept of heightening regional linkage through infrastructure building in the European and Russian continent.

I have long advocated for an East Asian community plan, for regional structured cooperation of the three players, China, South Korea and Japan combined with other neighbours functioning as a system, with the ultimate objective of building up a community linked by common fate.

True peace will never be achieved through military force. The Belt and Road Initiative –through the Asian Infrastructure Investment Bank (AIIB)– will emerge as a solid model of regionalism incorporating the East Asian community plan in its final objective. Japan has yet to become part of this strategy.

Today the single greatest challenge is how to deal with the aggressive nuclear missile development program of North Korea. In my view, Korea is developing nuclear missiles as a call for use in negotiating a peace treaty with the US.

It is critical therefore for China, Japan and South Korea to join hands in the effort to bring Washington and Pyongyang to the negotiating table. Furthermore, it is essential for nuclear powers to enter into treaties declaring that no nuclear attacks will be launched against nations without nuclear capabilities.

Only now the single most pressing challenge for the planet today is the issue of climate change. At a time in history when the US government has opted to turn its back on the global environmental crisis, China appears ready to master the full capacity of its governmental leadership and resources in addressing the issues faced by the planet. In promoting the Belt and Road initiative as well, maximum emphasis is being placed on realizing Green infrastructures. ■

ROMANO PRODI

President of the Council of Ministers of Italy
(1996–1998), Member WLA–CdM

Two major challenges of global governance are
environment and fighting poverty and inequality.



1. The first question for a strong, efficient global policy is how we can trust the implementation of the agreements we take. Progress has been made at the Paris Agreement over its general support. Nevertheless, US has gone back, emissions are increasing, and the help that was agreed at the COP20 in Copenhagen in 2009 to developing countries in order to have them employ an environmental policy has been dispersed.

2. Poverty is slowly but feebly decreasing and we have a substantial, unexpected rise of development with a difference between developing and developed countries in favor of developing countries. There is no hint of progress in

decrease of inequality. The fight against inequality includes many fields for a necessary international cooperation.

3. There has been some progress in exchange of data but no major agreement in fighting the fiscal paradise. In the initial fight against poverty, progress has been very modest despite the declaration of many countries that this is a priority. Trust in governments is the first condition for making progress in global governance.

4. We need to enhance the strength of the United Nations and all the supervision bodies in order to give a doctrine and to build a structure to control the real results of the policies in the fields in which we have signed an agreement. We don't have a clear authority to judge the fulfillment of agreements.

5. Trade is strongly increasing despite of the challenges posed by the American president, advocating for limits in trade and killing the Pacific Treaty. The era of comprehensive trade agreement, is in my opinion definitely dead, given the fact that the internal political structure of all the countries is much more complex and interest groups are much more diversified.

We must work in the field of trade towards global efficiency with bilateral agreements, sector by sector agreements, country by country. Economic interests are now so strictly linked together that we are really interdependent. And when you are interdependent it is easier to have a global policy. I do think that trade between UK and Europe will not be damaged.

6. In politics there is less a desire to intervene in the internal political problems of all other countries. Probably the real failure of the purpose of exporting democracy in the

Trust in governments is the first condition for making progress in global governance

Iraqi or in the Libyan War has shown that interdependence is coexisting with different political models of different countries, and this was also the basic message of the Chinese President Xi in the last 19th congress of the Communist Party. The Silk Road and the Infrastructure Bank is a proposal for economic interaction of different political models among the participants.

7. Even though this proposal of interactive global policies based on economic common interest is not easy to put in action as the Silk Road project involves so many countries, it has been very well received. The AIIB has been immediately accepted by all European countries, UK included. One of the first cases of a difference between UK policy and the American policy was its support for the AIIB and the reform of the economic global governance.

8. The European Union needs an open policy vis à vis China, through the Silk Road and the new bank proposals, as well as the 16+1 Chinese and European proposal, given the fact that this Chinese policy is of utmost importance for the future of the world and must be mastered with delicate hands. It is in the right direction. ■

GEORGE PAPANDREOU

Prime Minister of Greece (2009–2011),
Member WLA-CdM



We are seeing a new balance of power in this globalized world. It has created new opportunities but also huge challenges and problems. Tax havens, concentration of money, corruption, the breakdown of the social contract in the developed world, huge movements of population, the climate change, the revolution of digital technology, artificial intelligence, robotics. Much of these challenges have created in many parts of the world a backlash. We see it, protectionism, isolationism, unilateralism, terrorism or extreme demagoguery.

China is not simply facing the choice of which road it will take but it is having to lead in turbulent times.

We do need to see the change in the structures of global governance. We need to think about strategy before structure. Where are we going rather than how we get there, is the first question.

The strategy that President Xi Jinping has outlined is quite an impressive one. He talks about shared destiny and shared futures; in Greek the world Ecology comes from the word Eco, which means home. So our shared home if you like should be the basic strategy, and this is what China of course has talked about, and I believe that the issue of the climate change and the Paris Agreement may be the most important.

As a matter of fact, we see all these science fiction movies with aliens coming to invade the earth and we see all the different countries uniting against the aliens... well, maybe it is not the aliens this time, it is our own self destruction, it is just climate change which might in the end unite us. This may allow us also to avoid the so-called Thucydides trap, when Sparta attacked Athens because it was a growing power. Because we may find that there will be a unifying theme and this is climate change.

So, the SDGs should be a unifying guiding compass and this should also enlighten the structures we create to see how they will reflect both the changes in power but also where we want to go as a planet, as humanity.

Now, every leader wants to put his or her country first, those are the interests. But I think that is not the essence of the contradiction here, of the problem. The question is whether we see the interest of our country as linked to the interest of others in the region and in the global world. That is the question. And unluckily the way the US is looking at it today is not right. What we are seeing is a sort of narrow-minded transactional nationalism instead of the multilateral cooperation that is needed. And this is not only the US, but also many other countries.

In China, there is a strategy and that is to integrate the national interest with the regional interest and the global interest. The Belt and Road Project, for example, is not an imposition of Chinese nation's interests, but rather a partnership of converging interests and cultures. However, this is not easy and we already know that small conflicts in the region can result into major conflicts. Look at Syria, which was a small conflict initially, became a proxy war in the region and also from global powers.

China may have the power not to need reconciliation and yet it may have the wisdom to seek reconciliation. With the rise of nationalisms around the world, no one would be unaffected. So, nationalism on the one hand, and this of course China too, on the one hand it could be pride of what you are and what you contribute to the world, what you are doing and driving for moving your country forward, or it can be a destructive force to polarize and create conflict.

We may have divergent models of governance. There are lots of discussions around democracy, the role of government. The word inclusiveness has a basic principle for global, regional and domestic governance. More justice to globalization is one of the things President Xi has talked about. This will include, for example, types of investment that do not create dependencies but empowers societies, countries or SMEs. Everyone should be respected in the global world and have a voice. We have to deal with injustices such

The SDGs should be a unifying guiding compass and this should also enlighten the structures we create to see how they will reflect both the changes in power but also where we want to go as a planet, as humanity


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as tax havens and concentration of wealth, we need a dialogue with scientists and civil society, so we need to put inclusiveness forward: putting humans at the core of global governance, not States.

We do not simply have to distribute the wealth, but also to make our citizens in our societies, our nations, responsible in order to be able to adapt and be part of dealing with major challenges and changes and disruptions we are seeing in front of us. That is the only way we'll be able to deal with these issues, and that is by bringing our citizens to participate and not being marginalized in our society.

One lesson is that we need to engage. Moving away from globalization, moving away from cooperation, is not the solution.

Power needs to be used carefully. The abuse of power was an anathema punished by the Gods in Ancient Greece. The real issue today is not if we have the power –we have the power as humanity–, but rather how we use the power, and this a deeply political and moral issue, from technology to the military might. It is a challenge in any governance, whether it is local or global: how we use the power, how we use it wisely for the common good, for justice and for peace. ■

The background of the page features a photograph of traditional Chinese architecture, including several buildings with dark, tiled roofs and ornate wooden structures. The image is partially obscured by a large, semi-transparent teal rectangle that covers the right and central portions of the frame. The text 'WORKING PAPERS' is printed in white, bold, sans-serif capital letters across the middle of this teal area.

WORKING PAPERS



**Shaping and Reshaping Global
Governance: Navigating the Thucydides
and Kindleberger Traps**

**Peace and Security in Global
Governance**

**Resetting Financial, Fiscal and
Economic Governance**

Climate, Leadership and Sustainability

Reflections on a New World Order



SHAPING AND RESHAPING GLOBAL GOVERNANCE: NAVIGATING THE THUCYDIDES AND KINDLEBERGER TRAPS

RAMESH THAKUR

The Australian National University

The key insight expressed in the striking words of the Brundtland Commission – ‘The Earth is one but the world is not’¹ – remains as relevant a political statement about most global governance challenges today as it was about sustainable development thirty years ago. The world is interdependent in areas as diverse as financial markets, infectious diseases, climate change, terrorism, nuclear peace and safety, product safety, food supply and water tables, fish stocks and ecosystem resources. These can provoke interstate military conflicts and are also drivers of human insecurity. In such a world, all states face mutual vulnerabilities; even the most powerful cannot achieve security or maintain prosperity through unilateral action. In his address to the quinquennial party congress, President Xi Jinping affirmed that ‘No country can retreat to their own island, we live in a shared world and face a shared destiny’. This provides the key rationale for multilateralism: collective, cooperative action by states – sometimes in concert with non-state actors – to deal with common problems and challenges when these are best managed collaboratively to reduce costs and bring order and regularity to international relations.

Consequently, international organisations play an increasingly important and intrusive role in people’s lives. Several public policy decisions and practices have been transferred from the domestic to the international level, raising a number of pressing normative challenges

¹ Gro Harlem Brundtland et al., *Our Common Future. Report of the World Commission on Environment and Development* (Oxford: Oxford University Press, 1987), 27.



to the Westphalian foundations of multilateralism as citizens become rights holders and states are deemed to have responsibilities of sovereignty. That is, the challenge to the values and institutions of multilateralism results not merely from any particular distribution of power, but also from systemic factors like the nature of the state, the nature of power, the nature of security and threats to international security, the actors who drive security and insecurity, the global norms that regulate the international behaviour of state and non-

state actors, and changing conceptions of citizenship and the balance of rights and responsibilities between citizens and governments.

Yet governance for the planet is weak and multilateralism is under unprecedented challenge, from arms control to climate change, international criminal justice and the use of military force overseas. At the centre of the existing multilateral order is the United Nations. No other body can tackle the contemporary global pathologies more effectively, with greater

legitimacy, lower transaction and compliance costs, and higher comfort levels for most countries as *their* organisation. The survival and vitality of international organisations depend on two factors: the quality of their governance and their capacity to change and adapt. Based on human solidarity across borders and transcending national perspectives, the United Nations provides and manages the framework for bringing together the world's leaders to tackle the pressing problems of the day for the survival, development and welfare of all peoples,

everywhere. The world body remains the embodiment of the international community, the focus of international expectations and the locus of collective action as the symbol of an imagined and constructed community of strangers.

The Shifting Geopolitical Order

To paraphrase the familiar mantra of Realism, international politics consists of the struggle for the ascendancy of competing normative architectures conducted on two axes. One axis consists of military muscle, economic weight and geopolitical clout. The second axis consists of values, principles and norms. There were two big geopolitical storylines in the last century. First, the United States displaced Great Britain as the global hegemon and underwrote world peace and prosperity, largely although not always as a benign global power. Second, the Soviet Union was established as the bastion of international communism, achieved superpower status and then imploded with accompanying geographical, demographic and economic shrinkage. Although it retains a massive nuclear arsenal that can destroy the world and it has recovered some political and economic stability over the last decade, there is little prospect of Russia emerging as a multidimensional major power in the foreseeable future.

In a matching vein, there have been two big geopolitical storylines thus far in this century. First, the United State has suffered a *relative decline* from its dominant position at the end of the Cold War. Although it retains an unchallengeable capacity to wreak military destruction, it has suffered serial reverses in the capacity to impose order after military victory in several conflict theatres. Similarly, while the United State remains the biggest, best balanced and most productive and innovative economy, its global economic

How China develops economically and evolves politically, and how it behaves domestically, regionally and globally, are among the most critical questions confronting the world

dominance has declined on most measures (share of global output, automotive manufacturing, international trade, etc.). Second, China has acquired impressive power in both relative and absolute terms. How China develops economically and evolves politically, and how it behaves domestically, regionally and globally, are among the most critical questions confronting the world. The answers will help to shape the destiny of nations and the fate of billions of people.

Thus world order is at an inflection point. The United State is still the single most powerful and influential actor and will remain so well into the foreseeable future. But US *primacy* – military, economic, normative – is waning and global institutions will serve its power and purpose less and less, producing a *decline in the American order*. There is considerable scepticism about President Donald Trump's commitment to uphold the post-1945 liberal international order crafted under American leadership and underwritten by US military power, economic heft and geopolitical clout. President Trump's statements on trade, immigration, alliances and nuclear policy in particular seemed to question these four critical pillars of established US policy. Applying this to our region, former Australian Prime Minister (PM) Paul Keating holds that as a non Asian power,



the United States cannot remain “the strategic guarantor” of Asia in perpetuity. It remains “important to the peace and good order of East Asia... [but] as a balancing and conciliating power.”

The most authoritative recent statement of China’s strategic vision was President Xi’s address to the 19th Communist Party Congress on 18 October wherein he heralded the dawn of a new era of Chinese composite national strength, growing poise and self-confidence, and global power and influence. The three core elements of China’s vision of the new world order are parity in China–US relations, growing Chinese influence in

writing the underlying rules of the global order and a more assertive Chinese diplomacy in that new international system.

What does the potential surge in Chinese international policy activism portend for the global governance of peace and security? One way of framing the topic is to organize the discussion around the twin Thucydides and Kindleberger traps.

Thucydides Trap

In the current power transition phase, there is a risk of falling victim to what Harvard University’s Graham Allison calls the

Thucydides Trap. Like the war between the established power Sparta and the rising power Athens in 5thC BC that interested Thucydides, Allison looked at sixteen power transitions in the last 500 years to conclude that twelve had ended in war. As they elbow each other to assert primacy in the crowded Asia–Pacific, could an overconfident China and an apprehensive United States trigger a general war?

In contrast to Beijing’s clear-eyed vision of its global destiny just over the horizon and a clear-headed strategy for getting there, says former Australian PM Kevin Rudd, “the west is increasingly

self-absorbed, self-satisfied and internationally complacent.” China has built and fortified islands in the South China Sea, committed to building ports in Sri Lanka and Pakistan that give it presence around the Indian Ocean and the Arabian Sea, built a modest naval base in Djibouti, participated in anti-piracy operations in the Gulf of Aden, used its military to evacuate nationals trapped in Libya in the chaos of Muammar Gaddafi’s fall, and increased its troop contributions to UN peace operations in Africa to become the biggest P5 contributor to peacekeeping personnel.

China has been a continental and not a maritime power. Now its maritime interests and activities are growing. US Pacific commander Admiral Harry Harris evocatively described China’s reclamation policy in the South China Sea as ‘a great wall of sand’. This does not, however, presage the rise of a US-style global military empire: there is still too much of a gap between China’s rudimentary power projection capability and its far-flung network of economic interests. Consequently, the main form of protection

of China’s massive overseas investments in resources and infrastructure is through maintenance of regional stability and the primacy of a rules based global order. Not only has China been a principal beneficiary of the existing order; in addition, it perhaps has the biggest stake in the continuing stability of that order. Thus at the annual Davos meeting in January, President Xi stepped up to the plate to defend the global trade system from attacks by the protectionist US president-elect.

China *is* attempting to correct the military balance in Asia to the historical norm. But even here, it is important to look out at the world through Chinese eyes. China is pursuing an anti-access/area denial strategy in the seas around it, says Harry Kazianis, because such military capabilities, assets and postures will help to protect it from a repeat of the ‘historical nightmare’ of subjugation by Western and Asian colonial powers. It is encircled by a ring of US allies and partners and US military deployments that include Japan, Taiwan, South Korea, Philippines, Singapore,



Not only has China been a principal beneficiary of the existing order; in addition, it perhaps has the biggest stake in the continuing stability of that order

Vietnam, India and Afghanistan. The US Pacific Command rules the Pacific from bases in Guam and Hawaii and conducts intelligence gathering and surveillance operations off China's coast.

To many Chinese, the United States has been pursuing a China containment strategy. Minghao Zhao argues the US system of hub-and-spokes alliances is morphing into a 'networked security system across the Indo-Pacific' that allows for greater autonomy for Japan in security contributions, anticipates the deployment of a US-led missile defence system in South Korea, and draws India and Vietnam into the network. Nor did China fail to notice US opposition to the China-created Asian Infrastructure Investment Bank (AIIB) and efforts, albeit futile, to stop US allies from joining. Consequently, China has little choice, Minghao concludes, but to develop what President Xi called the 'bottom-line concept' of the worst-case scenario.

The buildup and assertion of China's maritime military assets and flag demonstrations around Indonesia and Australia are attempts at pushback by China

against the perceived strategy of containment in its own region, not examples of modern day gunboat diplomacy. Or, to put it another way, on what basis should we accept a rising and increasingly self-confident China to accommodate to an intrusive US military presence?

But if Washington is seen to accommodate China's growing footprint instead, what lessons will US allies in the region draw on American power, resolve and credibility as a security guarantor?

Westerners may believe that the growing integration and interdependence of China with the regional and international economy makes armed conflict too costly to contemplate and that the Pacific military balance is so heavily in US favour that China would not be foolish enough to challenge Washington. But what if Beijing believes that the costs to Washington would be so high that the United States would back down? Along many such misperceptions and miscalculations do the bloody rivers of human history flow into the ocean of oblivion for once-great powers.

Kindleberger Trap

China's exceptional economic and geopolitical weight means that the future of global finance and development will be shaped significantly by its choices and capabilities. The creation of the BRICS New Development Bank and the Contingency Reserve Arrangements in 2014 were followed by the launch of the AIIB and President Xi's Belt and Road Initiative (BRI) that emphasises infrastructure and land-sea connectivity. Over 60 countries have joined BRI that comprises ports, airports, railways and roads linking China to Southeast Asia, Central Asia, the Middle East and Europe in a 'new Silk Road' that will hugely expand China's economic and diplomatic reach. With the BRI China is Ramesh Thakur *Navigating the Thucydides and Kindleberger Traps* positioning itself at the centre of a global economic hub-and-spoke system that mirrors the US-centric military hub-and-spoke system. Only China today could conceive of a project of such mind-boggling scale and ambition – the largest single infrastructure project in history. The trillion-dollar initiative symbolises the expansion of China's economic, political and



strategic influence and could consolidate its position at the centre of global supply chains and manufacturing networks. But the protection of its investment, resources and markets will depend primarily on global rules rather than military power.

Putting geopolitics to one side Joseph Nye, also of Harvard, points to the alternative 'Kindleberger Trap'. International systems are more stable when the dominant power underwrites global public goods. An intellectual architect of the post-1945 Marshall Plan that rebuilt Europe, Charles Kindleberger explained the disaster of the 1930s by noting that although the United States displaced the United Kingdom as the world's leading power, it refused to provide global public goods. In supporting the more durable post-1945 order, the US government functioned as the de facto world government in writing and policing global rules. Will China follow Britain and America in accepting this burden and can the United States acquiesce to playing second fiddle?

Pax Britannica was built on territorial control through legal colonialism that allowed Britain to extract, process, move and use or sell ownership of vast natural resource endowments around the globe.

Pax Americana was built much more on control of resources through market access-guaranteeing regimes that ensured a worldwide flow of capital, goods and technology to underpin US prosperity and security. By building global markets instead of a global empire, the United States escaped legal responsibility for the security and welfare of its neo-colonial dependants. It succeeded by convincing others that 'global public goods' were, if not synonymous with, then at least dependent on an order guaranteed by US hegemony.

As China expands its power and influence through buying goods and access and underwriting and building infrastructure in Asia, Africa and Latin America to cement geopolitical ties, boost trade and create energy corridors, so far at least it seems

to have neglected the importance of conflating regional/global public goods with Chinese national interests. The continued failure to do so will guarantee ongoing turbulence and volatility in the emerging new order, whereas success would enhance the prospects of stability and longevity of China's central role in the new era.

China recognises that it has been a major beneficiary of the existing international order and it has proven to be a fast learner in operating as a responsible power within that order. Its primary goal therefore will not be to perturb the order, but to gain greater influence in writing the rules and running the institutions to develop and police the global order. China is not intent on exporting its 'model'. Rather, its main focus has been on promoting political stability and economic growth at home and securing access to resources and markets abroad. However, fully aware that those not at the table risk finding themselves on the menu, China has proven it has the will and the resources to set up parallel but, importantly, not alternative institutions if it is denied its rightful place at the top tables of global governance institutions

North Korea

The most acute contemporary manifestation of the demand on China to demonstrate responsible global leadership is the challenge of North Korea's nuclear weapons. Can China help? Chinese leaders and analysts separate their personal distaste for the riskprone and prickly President Kim Jong-un from their abiding strategic interests vis-à-vis the peninsula. Stability and conflict-avoidance in its immediate region remains a vital national interest for China's development and peaceful rise. Heightened tensions over North Korea's nuclear antics risk an uncontrolled armed conflict, strengthened US–Japan–South Korea alliances, and enhanced prospects of nuclear breakouts by Japan, South Korea and Taiwan. On the other hand, a reunified Korea in alliance with the United States would be even less compliant in accommodating China's strategic and foreign

policy interests, while any regime collapse in Pyongyang would produce a flood of unwelcome refugees streaming into China.

Some Chinese harbour suspicions that Washington has a strategy to imprison China in a 'North Korean trap'. Fu Ying, Chair of the Foreign Affairs Committee of China's National People's Congress, voices a common complaint that Washington expects Beijing to influence North Korea but ignores advice and proposals tabled by China, even though the main driver of Pyongyang's security policy is US action. Earlier she argued that China lacks 'leverage to force either the U.S. or the DPRK to assume their respective responsibilities'. Nevertheless, China remains committed to peaceful negotiation that may not meet the optimal demands of any party but would bring maximal benefits to all at minimum cost.

Conclusion: Peace, Security and Global Governance

The security problématique has morphed from defusing and defeating national security threats to risk assessment and management and being prepared – normatively, organisationally and operationally – to cope with strategic complexity and uncertainty. In an interdependent, globalised and networked world, multilateralism will continue to be a key aspect of international relations. But if they are to remain viable, international organisations – and the values of multilateralism embedded in them – must be reconstituted in line with 21st century principles of governance and legitimacy and they must be capacitated to address contemporary challenges effectively. World leaders must collaborate to restructure the institutions of international governance such as to make them more robust – so that they can withstand both exogenous and endogenous shocks; resilient – so that they can bounce back when they do buckle in the face of some shocks; and flexible and adaptable – so that they can deal with the rapidly changing nature and source of threats, including 'black swans'. ■



SUPPLEMENT

The fragility of post-invasion Iraq, post-intervention Afghanistan and Libya and no-intervention Syria, the mass exodus of displaced persons and refugees from their homelands to resettlement camps in near and distant destinations, and the proliferation of terrorist groups in these regions underlined the complex challenges and absence of easy answers to the goal of a secure peace. The crises highlighted the urgent need for a new institutional framework and vision that can marry prudent anticipatory self-defence against imminent threats to the centuries-old dream of a world where force is put to the service of law that protects the innocent without shielding the criminals.

The manifold security crises, along with the challenges of climate change, global pandemics, food and water scarcity, drug and people trafficking, national and global inequalities, and the like, dramatise how the evolution of institutions of international governance lags behind the rapid emergence of collective problems. The intergovernmental institutions that collectively underpin global governance are insufficient in number, inadequately resourced and sometimes incoherent in their separate policies and philosophies. The problématique of global security governance is the disconnect between the distribution of authority within existing international intergovernmental institutions, which is still fragmented and based on the assumption of a multipolar structure, and the international distribution of military power which is still concentrated in just one pole.

The basis of the world order has come under strain in recent years due to eight major disconnects:

- 1. The gap between the exalted expectations of what the United Nations can accomplish and the modest resources given to it;
- 2. The threats to peace and security, and the obstacles to economic development, lying within rather than between states;
- 3. The persistence of policy authority and the requisite resources for tackling problems being vested in states, while the source and scope of the problems are global and require multilateral solutions and the globalisation of the process of policy-making;
- 4. The greater recognition given to individuals as both subjects and objects of international relations, reflecting an internationalised human conscience, while the basic unit of international order remains the sovereign state;
- 5. The growing gravity of threats rooted in non-state actors, including but not limited to terrorists;
- 6. Weapons of mass destruction (WMD) that, in their reach and destructiveness, challenge the basis of the territorial state and which, when acquired by non-state actors, have democratised some of the most potent means of using violence;
- 7. The worsening misalignment between the distribution of military, political and economic power in the real world, and the distribution of decision-making authority in the artificially constructed world of intergovernmental organisations;
- 8. A similar mismatch between the numbers and types of actors playing ever-expanding roles in civil, political, and economic affairs within and among nations, and the concentration of decision-making authority in intergovernmental institutions.

Thus the crises of state authority and state-building afflicting Afghanistan, Iraq, Libya, Syria and the Ukraine – and how they intersect with engagement and interventions by external actors – can be viewed as symptoms of underlying seismic shifts in world politics.



PEACE AND SECURITY IN GLOBAL GOVERNANCE

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The first purpose of global governance must be to further international peace and security. Without a modicum of stability and predictability within and between countries, the pursuit of other cardinal objectives in the economic, social, ecological, and cultural realms is likely to be frustrated, incomplete, and/or unsustainable.

Since the Second World War, humanity has benefited—however unevenly and inequitably—from a global mega stability fostered in part by the progressive development of a layered and sophisticated framework of international norms, institutions, and practices and in part by relatively productive working relationships among the great powers. Today, those institutional and normative advances are under assault, physically and politically, from many quarters. The positive trends both in the advancement of international law and organization and in the diminishment of inter-state and intra-state violence from the mid-1990s to 2010 have been reversed in substantial respects over the past six years. At the same time, contradictions among the major powers have come to the forefront, even as their relationships have entered a period of uncertainty and flux.

None of this bodes well for the maintenance of international peace and security over the short and medium term. The capacity of the international system, globally, regionally, and sub-regionally, is being tested by non-state armed groups as well as by state fragility and governance deficits in parts of the Middle East, Africa, and Asia. It would be tempting to call for a sweeping restructuring of international institutions, beginning with the United Nations and its Security Council. But this would be misguided for a number of reasons, including:

1. The same political divisions that are compromising the effectiveness of global institutions are also acting to inhibit the prospects for major structural reform. This is, in short, a highly unpropitious time to initiate a major reform effort. The sorry history of initiatives to reimagine the structure of the Security Council illustrates this fundamental fact of life.



2. The contemporary challenges are largely political, not institutional. There are no quick fixes or structural remedies for the challenges stemming from non-state armed groups that practice terrorism and cultural genocide or from rogue regimes that seek weapons of mass destruction and reject international norms and standards. Nor could enhanced international institutions heal the fissures among major powers that have deep historical and geopolitical roots. That would be tantamount to putting the cart before the horse.

3. It is not coincidental that the most pressing and unresponsive threats to international peace and security are occurring in those places where regional and sub-regional institutions are either least developed or the most resource starved. Modest enhancements to institutions in New York are not going to compensate for the lack of effective political institutions in the Middle East and Asia or the capacity gaps in African institutions. Likewise, it has become

evident over time that the United Nations works best when it has regional and sub-regional partners to share the burden and to bring the advantages of complementarity.

4. The political and security instruments of the United Nations have been undergoing continuous scrutiny, review, and adjustment for more than two decades and have not suffered from a lack of critical attention. The Security Council has tempered its working methods repeatedly over those years, leading to greater transparency and inclusiveness. Many of these changes have been captured in Presidential Note 507, agreed at the end of August. Whether all of these reforms have actually improved the performance of the Council, however, is less clear, as a number of these reform steps have had unintended consequences. Likewise, peacekeeping doctrine and practice have been reinvented time and again, with mixed results. Each new Secretary-General has attempted a fresh wave of reforms of the Secretariat,

including steps to improve the working relationships between the Secretariat and the Council. In the end, however, bureaucratic enhancements do not necessarily guarantee the exercise of sounder judgement or the delivery of wiser counsel to the inter-governmental organs.

5. The UN community tends to be too introspective to begin with, spending far too much time on internal politics and housekeeping and far too little time trying to understand the nature of the challenges it faces and how it could make a more substantial difference on the ground where it counts. The same could be said of Member States, which, like the institutions they occupy, have been slow to analyze rigorously and candidly why we so often fall short in advancing international peace and security. There has been a dearth of both collective and individual accountability. It has been easier to blame the architectural and structural flaws of the institutions we have created than weigh

whether we have fulfilled our own individual responsibility to protect.

It is essential, nevertheless, that efforts to improve and reform global institutions continue unabated. Otherwise, the forces of inertia, backsliding, and even irrelevance would only grow. It should be understood, however, that the benefits of UN reform in terms of international peace and security are likely to be incremental, at best, for the near term. Larger gains could be found elsewhere, beginning at the regional level.

To a worrying degree, regional instability has been producing threats to global peace and security at an increasing pace. This can be seen vividly in terms of nuclear and missile proliferation, terrorism, and forced migration. The bottom-up aspects of these phenomena have exacerbated fissures among major powers and fed the politics of nativism and unilateralism in a number of societies (even as the actions or inactions of



Sanctions can only serve as an adjunct to a more comprehensive strategy, not as a substitute for one

global powers have contributed to these problems in the first place). Global responses are necessary but not sufficient. Neighbours are critical actors, but they may be part of the problem as often as part of the solution. Or they may be inhibited politically by their very proximity. Both have been the case in the Middle East and East Asia, the two regions in which these three threats of proliferation, terrorism, and forced migration have the most global implications. These are places where regional responses and global-regional partnerships have tended to be insufficient—least developed where most needed.

In terms of nuclear and missile proliferation, over the long-term the reinforcement of global norms is critical. There is a distinct danger that developments in the Democratic People's Republic of Korea (DPRK) and Iran will spark a return to the specter of the kind of more pervasive and more global WMD proliferation envisioned by experts and practitioners a half century ago. There are several countries in East Asia that have the technical and financial capacity to develop significant nuclear weapons capabilities in short order should they perceive a political and security need to do so. The timetable in the Middle East may be a bit more extended,

but further proliferation in that troubled and divided region is a much too real medium-term possibility. Chemical weapons use, not just proliferation, is a current reality there and the international response has been as disheartening as it has been sporadic. In terms of the DPRK, the unity in the Security Council on the authorization of sanctions has been encouraging, but their full and consistent implementation is far from assured. Sanctions are a necessary tool for slowing proliferation and raising the costs of taking that route, but they can only serve as an adjunct to a more comprehensive strategy, not as a substitute for one.

It is good, of course, that the leaders of China and the United States are engaged in a sustained conversation about the threat posed by the DPRK's nuclear and missile program. However, nothing has appeared publicly, at least, to suggest that there is agreement even on the bilateral level on a comprehensive and sustained strategy for preventing, countering, and/or containing the DPRK threat. More to the point, since the end of the six-party talks, there has been no indication that there is region-wide agreement, including Japan, South Korea, and Russia, as well as the US and China, on the way forward. Any number of

bilateral talks cannot substitute for an agreed and sustainable regional architecture to promote peace and security in Northeast Asia and, as a consequence, to discourage further nuclear and missile proliferation, as well as a deeper arms race, in the sub-region. There is simply too much history and too little development of political institutions in the area to be sanguine about its security prospects. This is a clear and present danger that cannot be solved globally, because its roots stem from long-standing contradictions within the region that have never been resolved or even addressed properly.

For many decades, various experts and academics have been suggesting to little avail the development of elementary preventive security and confidence-building arrangements in Northeast Asia. It would seem to be timely to revisit some of these and to begin to think afresh about conflict prevention, mitigation, and resolution in the sub-region. If it was possible to develop a range of such measures and procedures between the US and Soviet Union (and in some cases their opposing alliances) in the darkest days of the Cold War—steps that undoubtedly helped to keep the confrontation cold—there



should be more such opportunities now and more of them should include all or most of the five remaining parties to the six-party talks. In a cyber-age, the technical need for more assured and reliable means of communication and joint threat assessment would seem to be even more acute, as the threat of catalytic war would seem to have grown. These are not matters that the UN or the Security Council is well-placed to address, nor are they concerns solely of the major nuclear powers in the sub-region. The private sector and civil society—sectors still seeking a voice in Council deliberations—need to be integral partners in discussions of the implications of cyber for national and international security.

More broadly, the stage of development of policy dialogue on conflict prevention in Asia, as well as its institutional embodiments, compares unfavorably to that in Africa. The lack of anticipation of or response to the brutal ethnic cleansing of the Rohingya people from Rakhine State or the war crimes committed in 2009 in the civil war in Sri Lanka would appear to be cases in point. The concerns about territorial sovereignty in Asia would seem to suggest the value of an emphasis on

region-based measures to prevent conflict, sectarian violence, and mass atrocities, if only to discourage global consideration of possible responses. In recent years, China has taken welcome steps to support and participate in UN peacekeeping operations, while India, Pakistan, and Bangladesh have long been major troop contributors. Asian regional powers, therefore, are hardly strangers to the global practice of peacekeeping. Yet the notion of possible peacekeeping or policing within the region and by the region has never received much attention. This reticence is understandable in the political and historical context of the region, but perhaps this notion could be given more serious consideration in the future as conditions evolve. The collaboration between ASEAN and the Security Council in helping to resolve the border conflict between Thailand and Cambodia may provide a model for future regional-global cooperation on conflict resolution efforts in Asia.

The threat of hostilities in Northeast Asia has brought the world together. War in the Middle East has had the opposite effect. For some

years, use of the veto in the Council was declining to record low numbers. That has changed. Last week, the Russian Federation cast its eleventh veto on the conflict in Syria alone. The horrific violence and perennial instability in the region has done much more than divide the Security Council in ways not witnessed since the Cold War. More critically, it has spawned insecurity and terrorist acts in several parts of Africa as well as in Europe and beyond. It has swelled the ranks of forcibly displaced populations to levels not experienced since the end of the Second World War and appears to account for much of the reversal of the positive momentum that had been achieved in international peace and security up to 2011. Though situations in Africa still absorb a larger portion of Security Council attention, the Middle East has been gaining an increasingly substantial share in recent years. The flouting of long-held international human rights and humanitarian standards has become the new norm in the region, fueled by repeated assaults on civilian populations by governments as well as by non-state armed groups espousing violent extremism.

The number of parties exceeds even the number of armed conflicts in the Middle East. The conflicts, whether fought by governments, militias, or groups espousing terrorism—or most often a combination of all three—are generally transnational in scope and character. This complicates the conflict prevention and resolution process, as there are just too many moving parts to the peace and security puzzle. Each conflict seems to bleed into the next. The same could be said about the purposes being pursued by would-be peacemakers. As in Sri Lanka in 2009, the premium assigned to counter-terrorism agendas has had a tendency to push other objectives and values aside, such as conflict resolution, good governance, human rights, and human protection. In the name of fighting terrorism, the short term has been given precedence over the long term, while the value of building international law and organization has been dangerously neglected.

Though some countries in the region have been shouldering massive burdens from refugee flows, others seem determined to fuel the conflicts and

pursue decidedly narrow and short-term advantages. This is not a place where peace would be served by letting the locals take the lead, yet global leadership cannot function until the differences among major powers, beginning with the permanent members of the Council, are eased and their dialogue becomes more forward looking and more strategic. They will also need to lean more heavily on their allies and proxies in the region concerning the pursuit of a more inclusive, balanced, and sustainable peace in the region. The end game, if it ever emerges, should include a serious look at how to create regional and sub-regional arrangements in the Middle East that could be helpful in preventing and resolving conflict and in discouraging violent extremism. It also should entail a sober assessment of lessons learned from current and past UN initiatives in the region and of possibilities going forward, including but not limited to peacekeeping deployments.

There is increasing awareness in the United Nations that its ability to maintain international peace and security depends heavily on having reliable regional and sub-regional partners with which to work. Yet it still finds such collaborations to be hard to identify and even harder to sustain. Sometimes different partners have quite distinct viewpoints either because they overlap geographically, such as in Libya, or because sub-regional and regional perspectives differ, as was the case in Côte d'Ivoire. Capacity sharing is easier in theory than practice. After many years of joint meetings and plans, the UN's Security Council and the African Union's Peace and Security Council still find common action to be a necessary but often bumpy course. Nevertheless, there is reason to believe that the future of international peace and security efforts lies in the nexus between global and regional/sub-regional initiatives. For all of the inherent frustrations, the African, Latin American, and European experiences suggest that regional approaches to conflict prevention and resolution are well worth pursuing. Each, in their own way, has carved relationships with global political institutions that have proven mutually beneficial. This is a path to which countries in Asia and, eventually, in the Middle East should give serious and priority attention. ■



RESETTING FINANCIAL, FISCAL AND ECONOMIC GOVERNANCE

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Introduction

The 2007–2009 North Atlantic Financial Crisis² generated major changes in global economic governance. The G–20 assumed the role of the main organ in charge of macroeconomic policy coordination and launched several initiatives, notably on financial regulation and international tax cooperation, the responsibility of which were given to the Financial Stability Board and the OECD, respectively.

The G–20 was also largely successful in the early phase of the crisis in avoiding a protectionist war, which would have worsened the Great Recession, perhaps turning it into another Great Depression. The IMF revamped its lending facilities, made the largest issue of Special Drawing Rights (SDRs) in history, included the Renminbi (RMB) in the SDR basket and initiated an ongoing discussion on how to strengthen the global financial safety net, two of the major components of which should be a broader use of SDRs and of regional

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2 I prefer this term to that of global financial crisis because, although the crisis had global effects, it had its epicenters and its major effects in the United States and Western Europe.

3 In the trade area, an issue not discussed in detail in this note, China has also launched the One Belt, One Road Initiative (with its associated Silk Road Fund) and the Shanghai Cooperation Organization, both of which have objectives that go beyond trade.



and interregional financial arrangements. The BRICS created two new financial institutions: the New Development Bank (NDB) and the BRICS Contingent Reserve Arrangement. In turn, all multilateral development banks were capitalized during the crisis, and a new regional development bank, the Asian Infrastructure Investment Bank (AIIB) was created under the leadership of China.³ China has played a central role in many of these reforms, in own capacity or as a member of the Bretton Woods Institutions (BWIs), the G-20 and the BRICS.

Several of these reforms and initiatives were a response to the limitations of existing governance arrangements, but some of them were certainly incomplete, notably the reform of the global

reserve system, and the rules and institutions for sovereign debt restructuring and international tax cooperation, among others. Some also generated new governance issues, particularly by giving major new responsibilities to international institutions (the G-20 and OECD) in which most countries of the world – and remarkably most developing countries – are not members. New threats have also piled up since the crisis, especially the implications of a long period of unusual large supply of liquidity and the possible debt and asset price bubbles that it may have generated, and the strong slowdown of growth of international trades. On top of these, the new US Administration has generated new uncertainties associated with its protectionist stance, its willingness to roll back

part of the financial regulatory agenda and, more broadly, its limited trust in multilateral cooperation, including in the role of the BWIs. In contrast, China has played a fundamental role in the defense of multilateral cooperation but has also raised questions regarding the global implications of its growth slowdown and its high levels of indebtedness.

This note briefly summarizes the major issues involved, looking consecutively at the global macroeconomic cooperation and associated governance issues, the gaps in the design of the global financial safety net, the innovations and challenges of the system of multilateral development banks (MDBs), and the implications of limited international tax cooperation.

Given the nature of the note, it disregards broader academic debates on the issues and does not include references to the literature.

Global macroeconomic cooperation and associated governance issues

Since the North Atlantic financial crisis, macroeconomic cooperation has essentially taken place in the G-20, which designated itself in 2009 as the “premier forum for our international economic cooperation.” Together with collaboration among major central banks, it was no doubt successful in stopping the Great Recession from becoming a new Great Depression. In turn, given the close association of the crisis with financial imbalances in the North Atlantic economies, strengthening financial regulation and supervision was another clear priority of the G-20. This included the transformation of the Financial Stability Forum created after the East Asian crisis into the Financial Stability Board (FSB), with a major responsibility to coordinate efforts to strengthen financial regulation and supervision. A major limitation of this effort was the absence of regulations of cross-border capital flows, an issue that, however, the International Monetary Fund (IMF) took on board in 2012, when it adopted an “institutional view” on this issue. According to this view, full liberalization of capital flows is not an appropriate goal for all countries at all times, and managing cross-border capital flows is, under several circumstances, a useful “macroprudential” instrument to guarantee macroeconomic and financial stability.

There has been a significant continuity in the efforts to re-regulate finance in the developed countries, through a mix of stronger capital and liquidity requirements, counter-cyclical cushions, and stronger requirements and supervision for systemically-important financial institutions. Putting in place these new rules had national or regional differences, and was subject to with delays in implementation, political economy pressures to weaken reform efforts and some backtracking. However, it has been a fairly successful task. Indeed, the major challenge, which has yet not materialized, are current initiatives of the current US Administration to weaken some regulatory provisions. In relation to cross-border flows, it should be added, action has been limited all along. Notably, although the IMF institutional view recognized that the management of capital flows should be allowed in all bilateral and regional agreements, there has been no action in this field, nor has there been any to limit the spillovers that the policies of advanced countries could have on emerging economies in the form of large capital flows.

In the macroeconomic area, the G-20 put in place in 2009, with IMF support, a new mechanism of macroeconomic cooperation, the Mutual Assessment Process (MAP). In 2011, this led to an agreement by the G-20 that policy action is required to manage persistently large imbalances in several areas: public sector deficits and debts, private savings and private debts, and current account imbalances. This was followed by the determination of the indicative guidelines against which each of the indicators⁴ would

4 The discussions of the early 1970s are illustrative in this regard. The United States backed at the time a “reserve indicator” system, under which each IMF member would have been assigned a target level of reserves and forced to adjust to keep reserves around that target.

5 World export volumes have increased by 2.9% a year in 2007–16, according to IMF data (only 1.8% according to alternative data from the CPBNetherlands Bureau), the slowest rate of growth in the post-war era. This contrasts with a growth of 7.3% a year in 1986–2007, and 6.6% a year in 1950–2007. World trade also experienced in 2009–10 the worst crisis of the post-war years.



be assessed, which are explicitly called “reference values” and not “targets.” The MAP has been complemented with the strengthening of IMF surveillance, both multilateral and bilateral, which includes the Consolidated Multilateral Surveillance Report, the Spillover Reports for the “systemic 5” (United States, United Kingdom, Eurozone, Japan, and China), External Sector Reports assessing global imbalances, and more “candid” assessments of major economies in Article IV Consultations.

This is probably the most elaborate system of macroeconomic policy cooperation ever put in place. However, success in this area has been limited. After the initial Keynesian agreement to adopt counter-cyclical monetary and fiscal policies in the initial phase of the Great Recession, consensus broke down in the June 2010 G-20 Toronto meeting, when there was a deep division

between countries that continued to defend expansionary policies to counteract the weakness of aggregate demand and those that placed the priority on public sector debt sustainability. In turn, the MAP exercises and IMF surveillance has been unable to moderate the rising current account surpluses of the Eurozone, as well as to soften the spillovers generated by the expansionary monetary policies of developed countries on emerging markets. So, new global payments imbalances have been generated after the North Atlantic crisis ⁵, in particular the large surplus of the Eurozone – notably that of Germany – and the pressure on emerging economies to run current account deficits. In contrast, it should be added, two major surplus economies, China and Japan, reduced their initial external imbalances.

The basic problem of global macroeconomic cooperation is that the system continues to rely

essentially on a mix of stronger surveillance and peer pressure, which have limited “traction” vis-à-vis the major economies – to use a typical IMF term. It may be essential, therefore, to move to specific targets for some macroeconomic indicators. This is may be particularly important in relation to exchange rates, in order to avoid misalignments of major currencies and, more broadly, to enhance the capacity of exchange rates to contribute to correcting global imbalances and to provide a reasonable level of stability, which is crucial for international trade. The best system would probably be one of reference rates among major currencies, an idea that has been suggested by several academic authors through time, and which would operate, in a sense, as a system of managed floating around multilaterally agreed parities or bands. Of course, interventions would have to take into account all macroeconomic determinants of the exchange rates and payments imbalances, possibly including the broader set of indicators chosen by the G-20 for the MAP.

The new challenges that have emerged relate to the effects of the prolonged expansionary monetary policies that the developed countries have been implementing for almost a decade: high domestic debt ratios and/or asset bubbles in some countries, and large capital flows and rising external debt ratios in emerging economies. Under these conditions, a heated debate has been in place as to whether the unwinding of these policies,



particularly by the US (where this process has already started) may generate financial crises in some countries. The optimistic view in this regard is that interest rates will continue to be relatively low by historical standards. China is a particular case in this regard, because its high domestic debt ratios are associated with its own expansionary policies, which have been relatively successful, but where financial adjustment generates the risk of a stronger slowdown, with implications on the global economy, given its large weight, particularly in international trade. The challenges for world economic growth have been made more complex by the slow growth of international trade since the North Atlantic crisis, and the growing challenges to multilateralism in trade generated by the protectionist stance of the new US Administration.

A final major issue relates to the governance of the system. In this regard, it can be argued that the creation of the G-20 at a leaders' level was, of course, a step forward in terms of representation of emerging and developing countries compared to the G-7. But this "elite multilateralism" –the term I have used to designate this type of arrangements– also creates problems, as *ad hoc* self-appointed bodies cannot replace representative institutions in a well-structured international institutional architecture. The G-20 should thus be replaced by (or evolved into) a more representative and thereby legitimate mechanism of international economic cooperation. In this regard, the best proposal

on the table is that of the UN Commission of Experts on Reforms of the International Monetary and Financial System (better known as the Stiglitz Commission) to create a Global Economic Coordination Council in the framework of the UN system, to which the BWIs belong and WTO should become a member. The universal character of this organization would be mixed with a board based on constituencies, which the Council members would elect through a system of weighted votes, borrowing in this sense from the institutional structure of the BWIs.

This should be part of a broader effort to increase the participation of developing countries in international economic decision-making, as agreed in the "Monterrey Consensus" approved at the First International Conference on Financing for Development held at Monterrey, Mexico, in 2002. This should include, in particular, equitable participation in the IMF, the World Bank, as well as in the world regulatory bodies and those in charge of international tax cooperation. In the cases of the BWIs, quotas/capital were realigned early in the crisis, but the decision still left major inequalities in the allocations –an over-representation of Western Europe and an under-representation of some emerging (particularly Asian) economies relative to their actual share in the world economy–, and the IMF reform was delayed for five years by US Congress. A new realignment is currently being discussed in both institutions, and should evolve into a system in which quotas/capital

The G-20 should thus be replaced by (or evolved into) a more representative and thereby legitimate mechanism of international economic cooperation

are regularly adjusted to reflect changes in the shares of countries in the world economy. Basic votes in the IMF should also increase beyond the levels agreed in 2010, to give stronger voice to small developing countries.

In turn, the principle that the heads of both institutions must be elected through a transparent and open processes, based on the merit of the candidates, and regardless of nationality, was formally endorsed by the G-20 at the leaders' level in London in April, 2009. However, the election of the IMF Managing Director in 2011 and the World Bank President in 2012 represented at best a marginal change relative to the past, and ended up with the traditional election of a Western European to the first of these institutions and of a US citizen to the second. In turn, the re-election of both of them in 2016 was not a competitive process. Therefore, strict adherence to the principle of transparency and openness in the election of the heads of both institution is still a pending issue.

The still limited global financial safety net

Strengthening the global financial safety net has also been another

major objective of international cooperation over the past decade. In this area, the most important advance since the North Atlantic financial crisis was the redesign of the IMF credit lines in 2009 – possibly the most ambitious in IMF's history. They included: the much larger levels of financing relative to quotas; the creation of a contingency credit lines (the Flexible Credit Line, FCL); the possibility of using the traditional stand-by agreements for preventive purposes, and the creation in 2010 of the new Precautionary Credit Line (later Precautionary and Liquidity Line), for countries that do not meet the criteria of the FCL. This was complemented by the redesign of the facilities for low-income countries, changing the design of the concessional loan lines from a single design to a menu of options, which recognizes the difference among those countries in terms of debt vulnerabilities and management capacity, and the capacity of countries with strongest policies to eventually access non-concessional facilities. These reforms have been later adjusted to improve their novel features, but a major gap is the limited use of contingency facilities, in particularly the FCL, which has only been tapped by

three countries (Colombia, Mexico and Poland).

The limited use of this facility continues to be associated with the stigma linked to borrowing from the IMF, the major source of which is the conditionality included in its programs. In this regard, there has also been important advances. The most important were the guidelines on conditionality approved in 2002, which adopted three basic principles:

- Countries' ownership of policies.
- The requirement that structural conditions should be macro-relevant and focus on the core competencies of the IMF (monetary, fiscal, and exchange rate policies, as well as financial system issues).
- The need to streamline conditions to those that are critical to achieve program goals.

Additional reforms introduced in March 2009 were to eliminate structural performance criteria for all programs, and to eliminate ex-ante conditionality for the FCL.

In contrast to advances in emergency financing, there

A dense multi-layered institutional architecture should also be an essential element of reforms aimed at strengthening the global financial safety net. Indeed, regional institutions offer interesting opportunities

has been only limited progress in the management of debt overhangs. In fact, the absence of an institutional framework to manage debt restructuring involving private creditors continues to be one of the major gaps in the international monetary and financial architecture. The most important attempt at creating a regime in this area was the 2001–03 IMF proposal to create a Sovereign Debt Restructuring Mechanism, which failed. Discussion at the time led, however, to the spread of collective action clauses in debt contracts. In recent years, particularly after the difficulties faced by Argentina in US courts in 2013, there was an agreement in 2014 to include clauses that facilitate the aggregation of debt contracts and a new *pari passu* clause that avoids the problems of interpretation of the judicial decisions against Argentina. The

United Nations also adopted in 2015 some very broad principles on sovereign debt restructuring. However, the basic framework continues to be weak, as it depends on voluntary negotiations, which has shown to be insufficient under critical conditions, and lacks international rules and institutions to resolve disputes among the parties in debt renegotiations.

Although IMF lending has clearly met its counter-cyclical objective, the resources available for IMF lending have lagged behind other global aggregates. For this reason, the doubling of quotas agreed in 2010 was a correct decision, although it took five years for US Congress to approve it. Hence the importance of the reform aimed at using SDRs as a source of resources for IMF lending, as part of a broader reform of the global reserve system. This issue has only been subject to an incipient discussion, with China and France having been the most important supporters of a reform in this area in recent times.

Indeed, the global reserve system has not been subject to any significant reforms since the crisis. The dollar continues to be the major global currency, followed by the euro and a myriad of currencies –including, but still in marginal way, the RMB. Two important decisions were the largest issue of SDRs in history in 2009, and the inclusion of the RMB in the SDR basket in 2014. The system continues to be plagued by three major problems:

- The asymmetric adjustment of deficit vs. surplus countries, which generates a global recessionary bias during crises.
- The “Triffin dilemma”, associated with the use of a national currency ⁶ (the US dollar) as the major international currency, and the related fact that the major reserve issuing countries does not take into account the international spillovers of its actions in its monetary policy decisions.

- The lack of an adequate safety net, which generates a strong demand for foreign exchange reserves by emerging and developing countries as self-insurance, and as a means to manage the strongly pro-cyclical capital flows that they face.

Aside from supporting the transition to a multicurrency standard, reform efforts should concentrate on enhancing the role of the only truly global reserve asset that the world has created: the SDRs. This implies, in particular, making regular SDR allocations to respond to the growing demand for reserves at the world level⁷, doing those allocations in a counter-cyclical way to contribute to global financial stability, and making them the source of all IMF lending. This would make global monetary creation similar to how central banks create domestic money and eliminate the dependence of the IMF on “arrangements to borrow” and similar mechanisms. A simple mechanism that I have suggested is to treat the SDRs not used by countries as deposits in (or lending to) the IMF that could then be used by the institution to lend to countries in need.

A dense multi-layer institutional architecture should also be an essential element of reforms aimed at strengthening the global financial safety net. Indeed, a multi-layered architecture that relies more broadly on regional institutions offers interesting opportunities. Indeed, in a heterogeneous international community, networks of global, regional and national institutions can provide a better system of governance than arrangements based on single global organizations. What this means is that the IMF of the future should be conceived as the apex of a network of regional and interregional reserve funds –such as the Latin American Reserve Fund (FLAR), the Chiang Mai Initiative,



the European Stability Mechanism, and the BRICS Contingency Reserve Arrangement. The swap credit lines of the US Federal Reserve with several developed country central banks, as well as the growing network of swap arrangements of the People's Bank of China and a few of other central banks, should be added to this list. These complementary arrangements can take different forms—payments agreements, swap lines, reserve pools, common central banks—and exhibit different degrees of multilateralization. Careful

6 The essential problem, in Robert Triffin's formulation, is that the provision of international liquidity requires that the country supplying the reserve currency run balance-of-payments deficits, a fact that may eventually erode the confidence in that currency. This problem was strongly mitigated during the North Atlantic crisis by a strong demand for dollar liquidity and the reduction in the US current account deficit.

7 Most estimates indicate that allocations for the equivalent of US\$200–300 billion a year would be reasonable, but even this size of allocation would only increase the share of SDRs in non-gold reserves to just over one-tenth in the 2020s, indicating that SDRs would still largely complement other reserve assets. Since the demand for reserves by emerging and developing countries is larger than that by developed countries, this factor could also be included as a criteria for allocations, thus introducing a “development link” in the system.



consideration should be given to the links between the IMF and regional agreements, using diverse arrangements – a “variable geometry.” Some of the possible mechanisms could be the creation of IMF credit lines for these arrangements, and counting the contributions of capital or reserves to these institutions as part of IMF quotas.

Innovations and challenges of the system of multilateral development banks

The best example of a multi-layer architecture such as the one suggested for the international monetary system is that of the MDBs, where the World Bank co-exists with several regional development banks, some interregional banks and, in some parts of the world, several sub-regional institutions. The system was indeed born with the creation of the International Bank for Reconstruction and Development (IBRD), now the core of the World Bank group, but was enriched in later decades with the creation of the regional development banks, a series of sub-regional banks, and an interregional one (the Islamic Development Bank). Regional integration and the call to reduce regional inequalities were behind the early creation of the largest regional development bank (and, indeed, largest MDB), the European Investment Bank (EIB). In turn, a mix of political

motivations and integration efforts were behind the creation of most of the MDBs that serve emerging and developing countries. This process has not ceased and now includes the creation in 2015 of a new interregional bank, the NDB, and a new regional bank, the AIIB. National development banks are also partly involved in international development functions, including now some from emerging economies (the China Development Bank being the most important case).

This network of institutions provides quite a useful supply of services to most countries of the world, including Western Europe. However, the coverage of services by MDBs varies across regions, and mixes in variable ways its different layers. The Middle East and North Africa is the region best covered by the services of MDBs, with a dominant share of the strong network of Arab institutions and the Islamic Development Bank, followed by South Asia and Sub-Saharan Africa, where the World Bank group is the major player. They are followed by Latin America and the Caribbean (excluding its three largest economies), Central Asia and, interestingly, Western Europe. The three large economies of Latin America and East Asia are the two regions where the coverage of the services of MDBs is more limited⁸. The incomplete development of MDBs in East Asia is, of course, a strong argument in favor of the creation of the AIIB.

With the exception of the EIB, which is made up entirely of developed countries, all of which can borrow from the institution—and is thus a “cooperative”—most regional development banks include a division between developing country borrowers and non-borrowing developed country members. This capital structure allows developing nations to benefit from the stronger credit rating of the developed countries. It is amplified by the practice of maintaining a large ratio of subscribed to paid-in capital, which may be understood as a guarantee to the lending operations of these institutions. The best example of sub-regional bank but also of the “cooperative” model in the developing world is the Development Bank of Latin America, the new name adopted by the Andean Development Corporation (CAF according to its Spanish acronym), a transformation that reflects the fact that its gradual expansion has made it a truly regional development bank (Spain and Portugal joined in recent years, but they are also potential borrowers).

A major role of MDBs has been to give to lend to countries that lack adequate access to international capital markets: all developing countries in the first decades

of the post-war period, but now particularly the poorest countries. This includes giving access in better conditions to those countries that can only borrow in international markets with short maturities and/or high risk premiums. This is a major benefit of risk sharing by all borrowers, as they are subject to the same credit conditions in terms of access to MDB financing—which can also be understood as a principle of solidarity. Due to the “sudden stops” in external financing during crises, or the rising risk premiums for emerging and developing countries that characterize those periods, MDBs also have a clear counter-cyclical role. This was finally recognized during the North Atlantic crisis, leading to a major capitalization of regional MDBs as well as a smaller one for the IBRD. It was also recognized in the expansion of trade financing lines, to compensate for the fact that they were considerably cut by commercial banks at the peak of the crisis. Aside from their functions as credit institutions, the MDBs are major forums for dialogue among member countries on development policies and experiences, and on ways to strengthen cooperation, and they are important research centers—a concept is highlighted in the view of the World Bank as a

“knowledge bank”, but that also applies to other Banks.

The major roles for the MDBs that have been highlighted in recent debates are infrastructure financing and that for mitigation and adaptation to climate change—and more broadly to support the provision of global environmental public goods. The first of these roles underscores the significant under-investment in infrastructure—particularly the road infrastructure—in many developing country regions (we could say, even in several developed countries). It also captures the disregard that the World Bank—and other MDBs under its influence—gave to this area in its financing strategy after it shifted its attention to market reforms. The second is, of course, a major issue going forward, but the role of MDBs complements that of specialized facilities—the Climate Change Funds, the older Global Environmental Facility and the growing role of environmental programs in official development assistance. These are two areas where much additional financing is required in the future.

Beyond them, MDBs can play a role in supporting many other fields of public policy. One of them is the promotion of

8 According to my estimates with balances from these institutions in 2010, the assets of MDBs relative to regional GDPs were indeed highest in the Middle East and North Africa (8.6%) followed by South Asia (5.5%) and Sub-Saharan Africa (4.9%). Latin America and the Caribbean excluding Argentina, Brazil and Mexico came next (4.1%) together with Central Asia (3.9%), the core European Union (EU-15, with 3.7%) and the rest of Western Europe (3.9%). The three large Latin American countries already mentioned and East Asia were the least covered by the MDBs: 1.9% and 1.0% of their GDPs, respectively.



more inclusive financial systems, notably access to financing by medium, small and microenterprises –an area in which many MDBs are involved, including the EIB. Another is the promotion of the science, technology and innovation systems, particularly in emerging and developing countries. And, of course, they have an important role in promoting social inclusion and associated social policies –including innovations in this area of public policy.

In all of these areas, as well as in MDBs should work closely with national development banks, which have a crucial role in all of them ⁹. They should also complement private financing, including direct investment and capital funds involved in public-private partnerships in infrastructure and innovation, among other possible areas.

This analysis underscores that need for major capital injections into the system of MDBs in the future. China has, of course, been the leader in this process, whereas the major obstacle has been, since previous US Administrations, their reluctance to

capitalize the Banks, together with their resistance to reduce the share of the US in the capital of the institutions. This has been enhanced by the insistence of the current Administration that they should stop lending to middle-income countries that have access to private capital markets –a lagged impact of the International Financial Institution Advisory Commission (better known as Meltzer Commission), who presented its report to US Congress in 2000. Needless to say, the view that development banks compete with private financing disregards the several ways highlighted above of how they complement each other.

As already indicated, a final issue related to governance has to do with adequate capital shares and, more broadly, voice of developing countries in these institutions, as well as a fair and transparent system to elect the President of the World Bank. I should add that, in terms of voice of member countries, the new MDBs –the NDB and the AIIB– should avoid creating decision-making structures that replicate the criticism that developing have traditionally made on the World Bank governance structure.

Implications of limited international tax cooperation

A myriad of public scandals of global reach – Luxleaks, low or nil taxation of major multinational corporations (MNCs) in Ireland, the Panama papers and, more recently, the Paradise papers, among others—have shown how dysfunctional the current tax system is in today’s globalization. Corporations relocate business activities –and, in some cases, just the recording of profits— to avoid taxation and do not pay, therefore, their fair share of taxes in the countries where they do business. The personal fortunes of many rich people are also parked in tax havens. Competition among countries to reduce taxes to attract investment has further contributed to the erosion of the corporate tax rates and bases, and has led countries to grant large benefits to very rich people. While there are disagreements about what is an appropriate tax system is, there is a virtually universal consensus that what has occurred is unfair. The basic reason is that low levels of taxation by corporations and high income earners may lead governments to cut essential public services and infrastructure spending, or shift the tax burden onto ordinary citizens, usually in the form of regressive consumption taxes such as value-added taxes. Tax abuse has incited widespread public anger and triggered investigations by parliaments, government and international journalists into the tax practices of several of the best-known MNCs, of the several legal offices and banks that facilitate such practices, and of the policies adopted by tax havens.

In the case MNCs, the basic problem is that the tax system is based on the separate entity principle, under which the headquarter of a corporation and its different subsidiaries are treated as separate firms. However, they engage in multiple

transactions with each other, and can determine “transfer prices” for those transactions, allowing the corporate group to report a large part of its profits in low-tax jurisdictions or tax havens. Such prices may differ significantly from a true market price that would emerge from transactions among unrelated parties – “arm’s length prices” according to the terminology used in this debate. The regulation of transfer prices to approach arm’s length prices has been endorsed by the OECD and the United Nations in their Model Tax Conventions, which are widely used as the basis for bilateral tax treaties.

In fact, ensuring that transfer prices follow the arm’s length principle is difficult even when transactions involve goods, due to quality differences of similar products. But it becomes more difficult or outright impossible when it involves intangible assets: intellectual property (patents, copyrights, brands and trademarks), goodwill, brand recognition, and control of commercial networks. Because this knowledge-based capital is highly mobile and difficult to value, and related-party transactions are increasingly related to intangibles, the arm’s length principle cannot be applied, as those transactions have no comparable commercial counterparts. Different parts of a MNC can, therefore, charge each other royalties and other fees for the use of patents, brands, or trademarks, and they can record the costs of management and investment services, act as intermediaries for product sales, or make loans to one another in such a way that they allocate large part of overall corporate profits to low or no tax jurisdictions. The more complex the web of related companies within the multinational corporate group, the easier it is to avoid taxation, and the more expensive and time consuming it is for tax administrations to challenge the related transactions.

It has thus become painfully clear that the current separate entity approach and its transfer pricing system

9 In a recent project of Columbia University’s Initiative for Policy Dialogue, which was co-directed by Stephany Griffith-Jones and myself, we underscored five areas of action for national development banks to help correct market failures: financial inclusion, availability of long-term financing (particularly for infrastructure), promotion of innovation, financing of environmental public goods, and counter-cyclical financing. These areas match those mentioned in this note in relation to MDBs.

cannot work in a globally integrated and knowledge-based economy. The OECD conservatively estimates that base erosion and profit shifting generates worldwide tax losses of between \$100 and 240 billion annually, equivalent to between 4 percent and 10 percent of global corporate income tax revenues. IMF researchers have offered a higher estimate of approximately \$200 billion in revenue losses or about 1.3% of GDP for non-OECD countries and between \$400 and \$500 billion for OECD countries, or in the order of 1% of their GDP. International corporate tax abuse also creates unfair competitive advantages for MNCs as against domestic firms, many of which are small and medium-sized.

International cooperation in this area has essentially relied on multiple bilateral double taxation treaties. There has also been tax cooperation by major developed countries in the OECD. The United Nations has done so through the ECOSOC Committee of Experts on International Cooperation in Tax Matters, which was upgraded in 2004 from an ad-hoc to a regular technical committee. The Global Forum on Transparency and Exchange of Information for Tax Purposes was created by the OECD in 2000 and restructured in 2009 to allow an expanded membership – now 147 members and 15 international organizations as observers. In turn, the international scandals and investigations conducted by several industrial countries that uncovered multiple examples of transfer price abuses, led the G-20 in 2012 to launch the Base Erosion and Profit Shifting (BEPS) Initiative, under the leadership of OECD.

The BEPS Initiative has adopted important recommendations. It has set that its basic framework is to ensure that MNCs are taxed “where economic activities take place and where value is created.” It has adopted the obligation of very large MNCs to report the revenues, profits, taxes paid, employees and assets in each country where they do business. Country-by-country reporting is a step toward transparency – though only for a limited number of MNCs. Additionally, two important revisions to bilateral tax treaties represent a step forward in ensuring that income attributions have economic substance. The first one is the “primary purpose test”, which



provides more legal authority for countries to evaluate the economic substance of income attribution and challenge the characterization of transactions that have the primary purpose of avoiding taxation. The second is the “permanent establishment” or economic nexus rules, which will expand source countries’ ability to tax economic activity occurring through commissionaire arrangements within their borders or through electronic commerce.

A more important reform would be to move to a system that corrects the major problem of the system: the separate entity principle. This would be a system in which MNCs would be taxed as single and unified firms. This has been the idea promoted by the Independent Commission for the Reform of International Corporate Taxation (ICRICT)¹⁰. Under such a system, there would be no transfer pricing because global corporate profits would be consolidated, and thus no profits would be shifted through intra-company transactions. This would require an agreement as to how global profits and associated taxes would be divided among countries, through a “formulary apportionment” based on sales, employment and resources used, among other possible factors. This would

replicate systems that have been used to divide corporate profits at the subnational level in the United States, Canada and Switzerland for almost a century. In recent years, the European Union has also been discussing a proposal for a system of “Common Consolidated Corporate Tax Base”, which has been approved by the European Parliament but has not yet reached the unanimous consensus required for full implementation.

During the transition to the new system, ICRICT has proposed that leading developed and emerging nations should impose a global minimum corporate tax rate to stop the race to the bottom. There could also be a broader use of the profit-split method already used by the OECD’s guidelines on transfer pricing under very limited circumstances, which combines company profits from groups of transactions (usually by activity) and then apportions them among jurisdictions by economic factors, such as revenue and expenses. ICRICT has also supported the design of a UN Convention to combat abusive tax practices, the creation of a global asset registry, and the use of special methods to estimate transfer prices for tax purposes, such as the Brazilian system to apply fixed margins and

mark-ups on certain transactions.

There is also a need to rethink the institutional structure of international tax cooperation. The basic reason is that, despite the significant work that it has done, the OECD is not a global representative institution and counts with only a few emerging and no low-income countries as members. This is also true of the BEPS process, despite the fact that it has included the nine non-OECD G-20 nations. The Global Forum has a broader membership, but it is still under the OECD axis. For this reason, the major proposal is to upgrade the UN Committee of Experts on International Cooperation in Tax Matters to an intergovernmental Commission and provide it with adequate resources. This proposal was made by the UN Secretary General in 2004 and again by the Group of 77 and China to the Third International Conference on Financing for Development that took place in Addis Ababa in 2015. ICRICT has endorsed this proposal and has recommended that the UN Global Compact and the OECD Guidelines for Multinational Enterprises should be strengthened by explicitly recognizing the obligation to pay taxes as a preeminent corporate social responsibility. ■

10 See the different reports of this Commission in <http://www.icrict.org/>



CLIMATE, LEADERSHIP AND SUSTAINABILITY

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The scientific case for climate change has been made, and solutions for reducing emissions are now readily available. However, there is a significant action gap between what the scientific evidence shows must be done to prevent the worst impacts of climate change, and what the world is currently doing.

The current decade has already seen three consecutive record-breaking years for global temperatures. While 2014, 2015, and 2016 coincided with the El Niño phenomenon, 2017 does not—yet is still on course to end as one of the three hottest years on record.

The impacts of accelerating climate change were felt throughout 2017 as a spate of hurricanes tormented the Caribbean on their way to the United States. Elsewhere, climate change supercharged the monsoons in India, resulting in flooding across the subcontinent that left thousands of dead and tens of thousands displaced, while forest fires raged in Europe and across North America and a severe drought brought famine to East Africa, affecting over 20 million people.

Climate change would increase several other risks for human beings and all forms of life and the earth's ecosystems. Other risks associated with the impacts of climate change would have serious implications for food security, water availability, displacement of people and sea level rise which would inundate several small island states and low lying coastal areas. All this will affect adversely both global and regional stability in many parts of the world.

Today's climate change impacts are severe and scientists warn that much more warming is inevitable: it is 95% likely that average global temperatures will pass the 2°C threshold set by countries only two years ago in the Paris Agreement. The window to avoid breaching the aspirational 1.5°C threshold is closing fast—less than four

years remain before the likelihood rises above one in three—and the efforts countries have pledged to undertake, if delivered, are instead estimated to result in up to 3°C warming.

Even with the Paris Agreement in place, CO₂ levels are the highest they have been in 800,000 years and keep rising: 2016 saw the largest increase on record.

CO₂ levels are the highest they have been in 800,000 years and keep rising

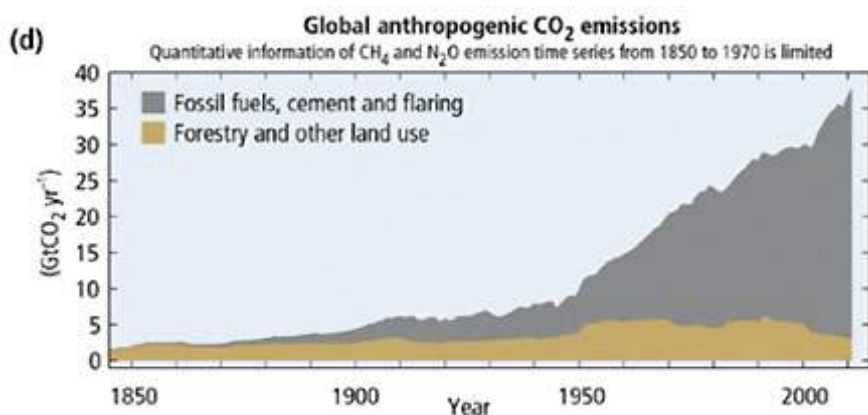


Figure 1.
Source:
IPCC AR5
SYR SPM

The social and political dimensions of implementing the solutions to the climate change problem is at the heart of this action gap. Since gavelling through the Paris Agreement in December 2015, the international community has met only four times under the United Nations Framework Convention on Climate Change to negotiate the details of how to put it into practice. Although the Agreement quickly “entered into force” legally, negotiators are still working towards a December 2018 deadline to finalise the implementation guidelines, or “rule-book,” of the Agreement, which they are doing in a working group called the Ad-hoc Working Group on the Paris Agreement (APA), jointly chaired by Saudi Arabia and New Zealand.

At the May meeting in Bonn this discussion evolved from conceptual to concrete as the facilitators of negotiations on unresolved issues prepared papers (“informal notes”) which lent some structure and

direction to the talks. Since the May meeting, Parties have expressed their views on each agenda item via dozens of focused written submissions, all of which facilitators will have to consider and include as they move forward.

On November 6–17 countries gathered once again for the 23rd annual Conference of the Parties (COP 23). Despite demonstrating political commitment, major divergences remain over key questions which were not wholly addressed by COP 23. One recurring issue is how to treat differentiation between countries, which affects all other agenda items. Another issue is what information exactly are countries required to note in their Nationally Determined Contributions, with developed countries seemingly intent on re-negotiating the Paris Agreement so that these pledges—and the transparency framework being built to monitor them—only relate to mitigation efforts, rather than all efforts.

In 2021, solar power is going to be cheaper than coal in China

Developing countries have been very concerned that developed countries are advancing some issues far faster than others in order to benefit from an “early harvest” of their priorities. The desire for a balanced approach is nominally shared by the APA co-chairs, who have said they will ensure more symmetry in the process.

As well as the regular features common to all climate change negotiations, COP 23 was also notable for a number of specific reasons.

In June Donald Trump announced that he would pass legislation to take the U.S. out of the Paris Agreement. Legally, the U.S. must wait until 2020 to actually withdraw, meaning that for the duration of Trump’s term in office the U.S. will continue to have a seat at the table. Naturally, the meeting in Bonn will be riddled with concerns about how this will affect the geopolitical dynamics at a time when ambition must be ratcheted up.

At least 15 countries have joined an alliance against coal use at the COP 23 in Bonn, as a thinly veiled critical response to the current US administration decision to leave Paris Agreement. Called the Powering Past Coal, the alliance was started by the UK, Canada, and the Marshall Islands.

Major coal users like China, the US, Russia, and Germany have not joined. Though China has put forward an ambitious plan for solar energy, as has India.

Some Parties and sections of civil society have made noises about allowing more flexibility in order to tempt the U.S. to remain, and have sought to pressure China to take on more responsibility. This misunderstands the reality on two fronts.

Firstly, China is already a climate leader, broadly meeting its fair share of the collective effort and investing \$100 billion in domestic

renewable energy each year. The second, rather more glaring mistake is to believe that the U.S. was ever a leader—in fact for the entire history of the negotiations it has acted as one of the principal blockers of progress.

With the U.S. still technically a Party to the Paris Agreement, it remains to be seen what role they will pursue. Secretary of State and ex-CEO of ExxonMobil, Rex Tillerson, has indicated that the U.S. will engage in order to protect its ongoing interests in the talks, so the possibility remains of the U.S. acting disruptively on behalf of fossil fuel industries.

Along with its allies in the “Umbrella Group,” the U.S. is likely to frustrate progress on issues such as adaptation, loss and damage, finance, technology transfer, transparency of support, compliance, and the global stocktake. The motivation for doing so is clear and will be exposed by a major civil society report on corporate interference in



the climate negotiations. Due to the close ties between the Trump Administration and major polluters some advocates have called for the U.S. to be isolated and ignored in the process.

A good strategy must be at the heart of a climate change solution – combining existing scientific, technical and economic knowledge into a clear overarching blueprints.

► The IPCC AR5 clearly established that if temperature increase was to be limited to 20C by the end of the century, then:

- a. Global GHG emissions would have to be reduced by 40–70% in 2050 compared to 2010 levels.
- b. By the end of this century emissions would have to reach net zero or negative levels.
- c. Global emissions need to be curbed within the next 5 to 15 years. The IPCC AR5 was released in 2014, and since then three years have elapsed. Hence, a reduction in emissions should not be delayed beyond 2020 if the timeframe of 5 to 15 years is to be followed.

A large range of mitigation measures are required to be taken in hand if the goal of limiting temperature increase to 20C is to be met by the end of this century. Essentially these measures would include:

- a. More efficient use of energy.
- b. Greater use of low-carbon and no-carbon energy – Many of the relevant technologies exist today, and can be used extensively. This would be necessary, because CO₂ emissions reduction by 90% between 2040 and 2070 over 2010 levels would be required.
- c. Improved carbon sinks – Deforestation would have to be eliminated, forest area expanded and forest management improved substantially. There would also be scope for using bioenergy along with carbon capture and storage.
- d. Lifestyle and behavioural changes – These changes would require elimination of waste and major changes in dietary patterns. The world would have to eat much less meat to reduce GHG emissions.

- A major milestone is coming soon for the world's biggest polluter. In 2021, solar power is going to be cheaper than coal in China (already available in places like Germany and the U.S)—faster than many expect.

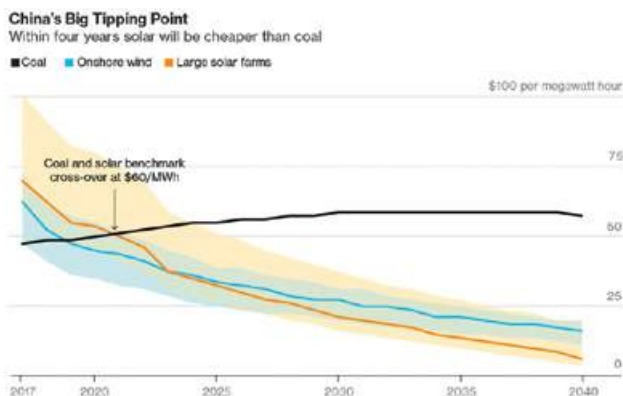


Figure 2.

Source:

<https://bloom.bg/2rl3pvQ>

It can be seen from Figure 2 above that the relative cost of renewable energy with respect to fossil fuel based supply is changing very rapidly, and around 2020 or so, solar and wind would become significantly cheaper than coal based power supply. Investments and creation of capital assets need to keep in mind projected changes in costs as reflected in this figure.

With the treaty-negotiations of the Paris Agreement out of the way and with the price of renewable energy continuing to fall just as the devastating impacts of climate change continue to stack up, there are no more excuses for low ambition.

Since the first commitment period of the Kyoto Protocol ended in 2012 the world has lost a decade to inaction, meaning the challenge ahead is even greater as so much warming is already locked in. Developed countries have dragged their heels on ratifying the Doha Amendment which set them mitigation targets for the period 2012–2020. To make matters worse, the voluntary

“Nationally Determined Contributions” to the Paris Agreement aren’t much better. However, a mechanism exists to ratchet up ambition. The first phase will take place in 2018 with a “Facilitative Dialogue,” followed by a “Global Stock Take” in 2023.

Developing countries are cautious, however, as developed countries are pushing that the Dialogue does not take into consideration whether or not they have received the support they require from developed countries. As with the transparency framework being negotiated, they fear an undifferentiated system in which they will be burdened with additional requirements which they are not able to meet without requisite finance.

In Bonn, negotiations proceeded on the design of both the 2018 Facilitative Dialogue and the 2023 Global Stock Take. Of note should be a new report containing recommendations on how the Dialogue should assess countries’ pledges on the basis of equity and in light of what support they have been offered.

With worsening impacts worldwide, the issues of adaptation, loss and damage, and climate-induced displacement are becoming harder

to avoid. The Warsaw International Mechanism on Loss and Damage has a 5-year work plan in place but it has not yet been designated a permanent source of finance.

Developed countries are still extremely unwilling to discuss financing for loss and damage as they see this as an admission of liability for climate change disasters occurring around the world. The unwillingness extends into finance for adaptation: though Parties agreed that the Adaptation Fund would serve the Paris Agreement, developed countries have been dragging their heels by requesting another full review of the Fund before they will agree on the exact institutional arrangements. Some are also insisting that market mechanisms be tasked with resourcing the Fund, which has not previously proven a successful way to raise this badly needed money for communities.

Where's the Finance?

Lack of adequate finance is not entirely contained to efforts to address loss and damage or adaptation. Even with the focus shifting towards

implementation of the Paris Agreement, developed countries have not been forthcoming with a plan for how to reach the \$100 billion per year minimum funding they are obliged to mobilise by 2020. Details of what scaled-up funding will be on offer after 2025 are completely lacking.

On top of this, the methodology used by developed countries to account for the support they are already providing is highly inflationary. Developed countries claim to mobilize around \$25 billion per year, but this is largely through existing bilateral channels and is not properly new and additional. The Green Climate Fund has so far received only \$10.3 billion. This amount is far short of the tens of trillions of dollars it will cost for developing countries to fulfil their pledges, and the world will be on track for upwards of 4 or even 5°C warming.

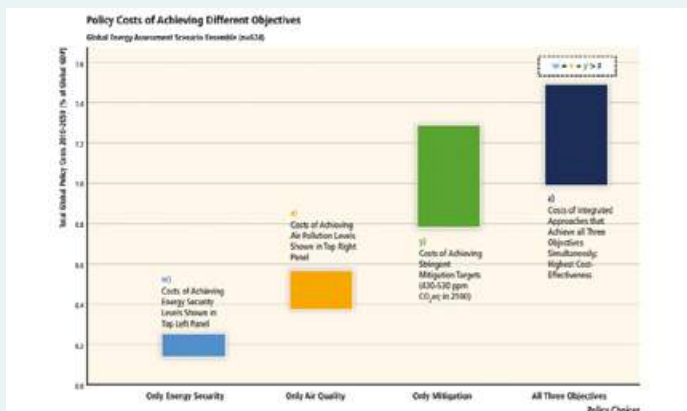
Mitigating the emissions of greenhouse gases and adapting to the impacts of climate change is often painted as an insurmountable challenge, which perhaps individuals and local institutions may feel leaves them helpless against the magnitude of the global challenge.

However, mitigation of emissions of GHGs is also associated with several co-benefits, such as lower levels of pollution at the local level, higher energy security, greater agricultural yields and greater employment potential.

The major conclusion from this diagram is that a comprehensive approach is far less costly than following the three objectives shown on a separate basis. In other words, in terms of costs the sum of the parts is much higher than the costs of a comprehensive plan, and, therefore, it is far better to follow an integrated approach than to meet these objectives through individual measures.

The choice for humanity is very clear. If we do not take action adequately and urgently to deal with climate change, then the costs of damage in economic terms would increase disproportionately with increases in average temperature. The non-monetized costs would be even higher, including extinction of species, higher acidification of the oceans, higher mortality and sickness and damage to coral reefs, etc. The cost of mitigation to ensure that temperature increase by the year 2100 does not exceed 2°C over pre-industrial levels would amount to no more than 0.06% of the global GDP annually.

Against that background, it would be useful to remember the quotation from Confucius, which stated “Like Weather, one’s fortune may change by the evening.” ■



Source: IPCC AR5 WG3 Report



REFLECTIONS ON A NEW WORLD ORDER

SEÁN M. CLEARY

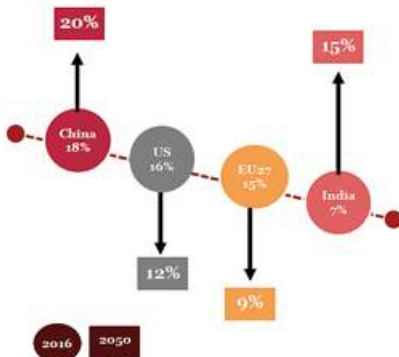
Executive Vice Chair, Future World Foundation

Framing the question

In a comprehensive forecast published this year, **PWC**, the international audit and assurance firm, has suggested that, in 2050, China's economy will be the world's largest, comprising 20 per cent of global GDP, with India's the second biggest, at 15 per cent. The U.S. will take third place at 12 per cent, and the 27 countries of the European Union – assuming that the EU holds together – rank fourth at 9 per cent. Even more surprisingly, what PWC call the E7 (the seven big emerging economies – China, India, Indonesia, Brazil, Russia, Mexico and Turkey – which were, in aggregate, half the size of the G7 countries (U.S., Britain, Canada, France, Germany and Italy) in 1995, equalled them in 2015, and could be twice their size in 2040.

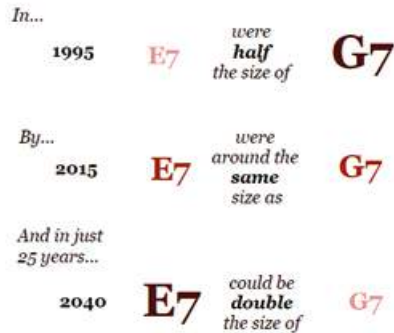
The US and Europe will steadily lose ground to China and India

Share of world GDP (PPPs) from 2016 to 2050...



Sources: IMF for 2016 estimates, PwC analysis for projections to 2050

Global economic power will shift to the E7 economies



G7: US, UK, France, Germany, Japan, Canada and Italy
E7: China, India, Indonesia, Brazil, Russia, Mexico and Turkey

In **Global Trends: Paradox of Progress**, published in January 2017, the **U.S. National Intelligence Council** states unambiguously:

“The next five years will see rising tensions within and between countries. Global growth will slow, just as increasingly complex global challenges impend. An ever-widening range of states, organizations, and empowered individuals will shape geopolitics. **For better and worse, the emerging global landscape is drawing to a close an era of American dominance following the Cold War. So, too, perhaps is the rules-based international order that emerged after World War II. It will be much harder to cooperate internationally and govern in ways publics expect. Veto players will threaten to block collaboration at every turn, while information ‘echo chambers’ will reinforce countless competing realities, undermining shared understandings of world events.**”

“Underlying this crisis in cooperation will be local, national, and international differences about the proper role of government across an array of issues ranging from the economy to the environment, religion, security, and the rights of individuals. Debates over moral boundaries—to whom is owed what—will become more pronounced, while divergence in values and interests among states will threaten international security.”

“It will be tempting to impose order on this apparent chaos, but that ultimately would be too costly in the short run and would fail in the long. Dominating empowered, proliferating actors in multiple domains would require unacceptable resources in an era of slow growth, fiscal limits, and debt burdens. Doing so domestically would be the end of democracy, resulting in authoritarianism or instability or both. Although material strength will remain essential to geopolitical and state power, the most powerful actors of the future will draw on networks, relationships, and information to compete and cooperate. This is the lesson of great power politics in the 1900s, even if those powers had to learn and relearn it.”

Clarifying the concept

A recent study by the **Rand Corporation**ⁱ defines the “international order” as “the body of rules, norms, and institutions that govern relations among the key players in the international environment.” It continues: “Today’s order includes a complex mix of formal global institutions, such as the United Nations and the World Trade Organization; bilateral and regional security organizations; and liberal political norms.” A comprehensive list of these, reflecting both those deriving from the post-WWII global order, and those that have been created in the past two decades, can be subdivided into *foundational norms and institutions, security norms and institutions, economic norms and institutions, and institutions promoting common [liberal] values and collective goods*ⁱⁱ.

The world in 2017 is a far better place than it was before 1945, when the United States, having defeated Nazi Germany with its allies in Europe, and close to defeating Japan in the Pacific, contributed about half of all economic activity in the world. Despite that dominance, those in power in Washington did not seek to crush the countries that had been defeated or greatly weakened in the war, nor did they turn inwards to focus only on U.S. welfare. Instead, at Bretton Woods and at San Francisco, a generation of American, European and other statesmen and women created the International Monetary Fund, the International Bank for Reconstruction and Development (later the World Bank), and the United Nations – the pillars of the international order which, with the General Agreement on Tariffs and Trade (later the World Trade Organization) enabled the surge of prosperity that characterized the second half of the 20th century, and led to the implosion of the Warsaw Pact and the Soviet Union between 1989 and 1991. In the Marshall Plan, adopted 70 years ago this year, the United States gave over \$13 billion (approximately \$132 billion in value today) in economic support, to help rebuild devastated Western European economies after the war. Out of war-torn Europe grew the European Union; out of the horrors of Hiroshima and Nagasaki emerged the phoenix of modern Japan,

which, for several decades until it was overtaken by China, was the second largest economy in the world.

But the Rand Corporation authors, like others, warn of impending change:

“...the degree of pressure for reform is accelerating faster than most observers anticipated, and the pressures on the order are now more treacherous than ever. Russia’s frustration with elements of the order, specifically Western alliances and active democracy promotion, has become intense and has led to outright conflict. India, Turkey, Brazil, and other major powers are speaking up more urgently about various issues, such as the reform of international institutions and the limits of the Western-centric, neoliberal economic model. Most profoundly, China is both steadily increasing its participation and influence in the order’s institutions—including contributing to the United Nations peacekeeping function and adding its currency to the International Monetary Fund’s Special Drawing Rights list—and making a hard-edged critique of the order’s perceived inequities.”

“At the same time, the degree of frustration with the costs and pressures of a globalizing order has risen significantly, especially in the working classes of the developed world. ... Stagnating economic prospects combine with a sense of cultures under siege to create growing resentment against a perceived out-of-control global order. ... the postwar order was already under significant strain before Trump was elected U.S. President... from above, in the form of the geopolitical challenges..., and from below, in ... populist outrage at its economic and social implications.”

“Yet our analysis also suggests that it would be wrong to exaggerate the degree of crisis ... The postwar order is imperiled, but it retains many powerful sources of strength. Henry Kissinger recently remarked, “We are at a hinge point. The world looks dormant for the moment because in many countries, a lot of decisions have been delayed. ... But they will accelerate and impact each other soon after [Trump’s] inauguration.”ⁱⁱⁱ Th[e] Rand Corporations’s analysis strongly supports the sense of ...an inflection point in the character of the international order. The overall portrait ... could best be described as stable, with accelerating signs of disruption.”^{iv}

We may be facing what physicists call a *symmetry break* – a point at which the working of a complex system transitions from a symmetric but ill-defined state, into one or more clearly-defined states. In that form known as spontaneous symmetry breaking, the underlying laws are invariant, but the system changes spontaneously from a symmetrical, to an asymmetrical, state. The sharp asymmetry between the scale and depth of the global economy, the absence of a commensurate, inclusive global community, and the defective state (or absence) of a global polity, may make this inevitable.

The complexity of the adaptive ecosystem in which we are embedded, and the global economic and social systems we have created, cannot be managed comprehensively. Human society is a complex system that cannot be collectively controlled. (Parens and Bar-Yam (2017) It is a core



component of the biosphere, a more complex, adaptive system (Chan 2001) with the potential for disastrous unintended consequences. The effects on societies of adaptive change in the biosphere were a source of concern for millennia. Today aggregate human behaviour is destabilizing the biosphere (Steffen et al. 2015). Limiting the risks attendant on these systemic interactions is imperative, but the divergent perspectives of national polities have led to clashes, and frustrate collective action.

A Taxonomy for Action

To grapple with these challenges, we identified five elements of a Global Agenda: The first three are challenges whose management is essential for survival; the last two are enablers for success.

Challenges:

- Delivering environmentally and socially sustainable economic growth – *for without this, nothing else is possible.*
- Reducing poverty and improving equity – *because exceptional prosperity for the few at the expense of the many is neither morally justifiable nor politically sustainable.*
- Addressing the sources of global and national vulnerability, and promoting security – *for security underpins both community and progress.*



Essential enablers:

- Sharing the norms and values that enable global coexistence, and working to respect cultural differences – *because respect for core values and universal norms allows us to live in harmony, while appreciation of cultural diversity enriches our understanding; and*
- Improving the quality of global governance and global institutions – *for the important challenges of a highly-connected world cannot otherwise be resolved.*

We need a shared normative framework to allow us to address these challenges. Adherence to norms promotes coherent behaviour within a group, allowing members to predict the responses of others. Deference to universally accepted norms within the global system promotes acceptance of each state actor by others, while flouting them results in criticism, sanctions, and, in the most serious cases, ostracism. Hedley Bull (1977, p. 13) observed that a global society must comprise: "... a group of states, conscious of ... common interests and common values ... conceiv[ing] themselves to be bound by a common set of rules in their relations to one another."

This does not require coextensive national interests, nor identical societal values. It requires states to recognise a certain

quantum of common interests and values that justifies subordinating national discretion, on occasion, for superior purposes. It does not require nations to abandon their cultures, or states to abnegate national interests. It does require that states recognise that the exclusive pursuit of their national interests, without reference to those of others, can be deleterious to human welfare.

A common normative framework is essential in two critical areas:

If respecting planetary boundaries requires new models of growth, we need:

1. An ethos that legitimizes restraints on carbon emissions and excessive consumption.
2. New development models that enable human progress and poverty reduction, despite reductions of physical production, trade, transportation, and distribution.

If security is to be enhanced, and systemic risks mitigated, we need:

1. A better understanding of the complex social, economic and technological systems we have built, and the ecosystems in which we are embedded.
2. Broader agreement on the norms we shall employ to mitigate risk and enhance security and sustainability.

Divergent perspectives in a multipolar world

A review of the positions of the U.S., Russia, China and India on the state of global governance in 2016, and an assessment of circumstances in Latin America, makes the diversity of perspectives clear. ^v

- **The United States** sees itself as dominant in security terms, but isolated in international organizations, inhabiting a global institutional landscape that no longer favours it; leading to domestic opposition to delegation of authority to supranational institutions (Voeten 2016).
- The **Russian** government dislikes the current world order but has offered no alternative structure or blueprint for reform, although some policy institutions advocate a bipolar model, founded on the U.S. and China, with Russia partnering China to counterbalance the West, to promote stability and better understanding between the camps in an interdependent world, with better global governance (Kulik and Yurgens 2016).
- **China** sees the need for an open, inclusive and multipolar world, defined by innovative policies reflecting the interconnectedness and complementarity of states at different stages of development. The global financial crisis has convinced it that the West's mode of economic development will not deliver the structural economic transformation needed for sustainable development, and persuaded it that its own growth experience since 1979, the scale of its foreign exchange reserves, and its investment in complementary international financial institutions like the New Development Bank and the Asia Infrastructure Investment Bank, and transnational development programs, like the Belt and Road (OBOR) Initiative, permit it to advance a new mode of sustainable economic development through the G20 (Wen 2016).

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• **India** is constrained by its domestic developmental imperatives and its continuing nation- and state-building priorities, but aspires to continuing rapid growth, national consolidation and social development. As a political child of the European Enlightenment, it respects a world order premised on the rule of law and human rights, but seeks greater representation in global institutions, and an ability to affect outcomes. While focused on securing its national interests, it will advance prudently by balancing its needs and objectives (Mehta and Raghan 2016).

• **Latin America** still comprises divided societies whose social characteristics predispose them to divergent policies prioritising economic orthodoxy on the one hand, and populist, heterodox efforts to reduce inequality and expand opportunity for the underprivileged on the other. Its regional organizations have not bridged this policy divide, but birthed a new group of partisan institutions committed to coordinating these divergent paths. Institutional deepening and growing political maturity will overcome these divides, but the continental institutions cannot yet help define shape global outcomes meaningfully (Blumenschein and Navarro 2016).



The U.S. (and the European Union) are conservative powers, committed to preserving, as far as possible, the parameters of the world order established at Bretton Woods and San Francisco, and developed by the North Atlantic Treaty Organization and the European Union. Washington's sense of isolation in international organizations and domestic opposition to delegation of authority to these, has compromised its ability to lead.^{vi} The relative weakness of the European Union, due to its multinational character and fissiparous tensions, make it very difficult to translate a Common Foreign and Security Policy into a viable Global Strategy.

China's proposal, outlined during Beijing's presidency of the G20 in 2016, premised on an open and inclusive world, offers an interesting alternative. At the 10th G20 Summit on November 15–16, 2015, President Xi Jinping announced that the organising theme for the 11th G20 Summit in 2016 would be to build an **innovative, invigorated, interconnected, and inclusive world economy**, by:

- (1) innovating the growth pattern, emphatically advancing reforms and innovations, grasping new opportunities, and improving the growth potential of the world economy;
- (2) improving global economic and financial governance, enhancing the representation

and voice of emerging markets and developing countries, and boosting the global economy's capability to manage risk;

- (3) constructing an open-ended world economy, promoting international trade and investment, and using this to promote growth; and
- (4) advancing inclusive and interconnected development, to implement the 2030 Agenda for Sustainable Development, eradicate poverty, and realize mutual development. None of the other BRICS members – Brazil, Russia, India, and South Africa – will oppose this, but the details of Beijing's project are still unclear.

The diversity of these positions suggests that:

1. No overarching concept of the desirable principles of a future global order will soon emerge among the world's leading powers. While a common vision is needed, the cultural and political preferences of the elites in these capitals – and of the populist forces emerging from economic and social pressures and perceived threats to identity – will frustrate it (The Economist 2017). Neo-liberalism is in retreat in the West, with neo-nationalism on the rise (Blyth 2016).
2. The interplay between long-range geo-economic trends, geopolitical tensions, and domestic social inequality and anger, exacerbated by the accelerating

One cannot reach agreement on all issues at a global scale, so we must determine at what scales collective agreement on particular outcomes is feasible

technological transformation of work and education, is fracturing national societies and weakening representative democracy (Cleary 2015). The nationalistic, nativist stance that emerged in the U.S. in 2016 is familiar in Russia and Turkey, evident in Latin America, Africa, the Arab region and South Asia, and rising in Western and Eastern Europe.

3. Our failure to deal adequately with this is dangerous. We need to address the sources of acute inequality; restore possibilities for upward mobility; provide social safety nets for those who cannot be reskilled and accommodated in labour markets; invest in the transformation of education and skills training to enable horizontal mobility and lifelong learning; and build social capital and cohesion to enable burden-sharing.

4. Preoccupation with the need to respond to these domestic imperatives, makes collaboration on “common goods”, and coordinated responses to terrorism, violent extremism and organized crime more difficult. The contraction of international trade regimes, if unchecked, will dislocate global value chains, slow growth, and increase geopolitical stress. This challenge is global, and the G20, and the United Nations, must address it urgently.

Creating a new order

To do this, however, we need to restore a sense of “. . . common interests and common values . . . [and acceptance of] a common set of rules in [states’] relations to one another” (Bull, 1977, p. 13).

This will not be easy. Efforts to create new, comprehensive politico-economic orders usually follow major wars. Faced with the multivariate

asymmetry between the scale and depth of the global economy, society and polity, we must, to avert further deterioration, rebalance at several scales. Established structures and systems need radical reform, including institutions of global governance, regional governance, regional security, and national political governance, “free markets” as we have defined them in the past 25 years, the relationship between education, training and employment; and systems of social coexistence shaped by rapid urbanization followed by globalization, that are now under stress in many advanced economies.

One cannot reach agreement on all issues at a global scale (Rodrik 2011), so we must determine at what scales collective agreement on particular outcomes is feasible. To apply and enforce norms, we need to select appropriate scales. Too narrow a scale – limiting normative and legal frameworks to culturally homogenous communities – enables widespread acceptance, but leaves issues of the commons unresolved, posing high risk. Assuming that the preferred norms of any community are universal, and can be applied globally, has already proven counterproductive.

The proper scale is a function of the communality, or diversity, of the interests at stake; and the variety of the communal values on which an agreed solution can be founded. While coercion has often been used to impose outcomes on communities in history it is unsuited to a highly-connected and largely transparent world. While force is, and will be, used to punish those that pose threats to communities, this can only be done to those on the margins of national, regional or global societies, if comity is to be maintained. For acceptable levels of social stability, the great majority of actors must accept the



moral values that underpin the society, and the norms it applies.

On the global scale, disagreements between permanent members of the UN Security Council have led to vetoes being exercised frequently over seventy years. The requirement of consensus in the World Trade Organization has frustrated the conclusion of the Doha Round.

The recommendations on reform by the United Nations High-level Panel on Threats, Challenges and Change in 2004, led to no substantive results (United Nations 2004). Delays in securing ratification of changes to the voting rights and quotas of members of the International Monetary Fund and the World Bank Group, led China to launch alternative, 'complementary' organizations.

But, the negotiations in the COP 21 round of the United Nations Framework Convention on

Climate Change, led to the Paris Agreement, facilitated by a shift from common but differentiated responsibilities, formalized at the Earth Summit in 1992, to credible, nationally determined contributions which states committed to execute, and to strengthen in future, while reporting on their emissions. The tactical recalibration from obligations to contributions enabled states to transcend arguments between emerging and advanced economies about their obligations due to the carbon intensity of their development paths, to focus on what all could do to achieve mutual benefit.

National efforts before the COP21 in Paris were informed by common interests – averting the disastrous effects of excessive atmospheric warming, while enabling economic development – not by obligations imposed by others. As state parties determined the contributions to which they committed, they engaged constructively.

Likewise, the adoption of seventeen Sustainable Development Goals (SDGs) to end poverty, fight inequality and tackle climate change in the 2030 Agenda in September 2015, was a substantial achievement. Like the national contributions to which states committed in the Paris Agreement, the SDGs are not legally binding, though governments will establish national instruments to enable their achievement. States are responsible for implementing them, and for collecting national data, to feed into regional reviews, for global consolidation.

The success of these bottom-up approaches accords with research commissioned by *FutureWorld Foundation* into national perspectives on environmental sustainability; socioeconomic equity; human, national, regional and global security; and norms and cultural values.^{vii} That research suggests that a triadic structure of governance will likely be most effective, keeping most responsibility for decision-making at national levels, and consolidating at regional and global levels only the most urgent and systemically vital issues. This would involve our:

- addressing key global public goods (climate, oceans, biodiversity and related planetary boundaries) and behaviour threatening a tragedy of the commons, with supranational systems, capitalising on individual national commitments within a shared framework;
- facilitating cooperation and harmonization of rules on human rights, trade, financial flows and security through international conventions and treaties, whose premises are negotiated and agreed on a basis of shared responsibility; and
- encouraging commitments to common objectives in other areas of collective benefit without creating institutions to control or enforce compliance.

To achieve this, we need to acknowledge the urgency of the challenge, and call for an international conference under UN auspices to address it effectively. The initiative would recognise

the need for a new world order that maintains the best of the past, and addresses the needs of the present and the future.

The UN General Assembly should adopt a framing resolution calling for inclusive national dialogues involving government, other policy practitioners, business, labour, women and youth, and other key components of civil society including faith groups, to develop proposals for a desirable global order in 2030 that reflect the perspectives and interests of each national society, without explicit reference to present structures or systems. The topics of the Global Agenda – balancing environmental sustainability with equitable socio-economic advancement, and human, national and global security – can provide a frame of reference. Agenda 2030 and the *Paris Agreement* can serve as building blocks.

The aim is to reach agreement on an end state, and specific outcomes, before discussing the means to achieve them. National and regional consultations, like those that led to the SDGs, would spark national debates, allow reciprocal learning, help dispose of prejudice, and undercut dangerous fact-free populism. The discussions should clarify the values that motivate each state's objectives, and shed light on the norms and legal instruments that can advance them.

After receipt and analysis of the national, and perhaps, regional contributions, a *UN General Assembly Open Working Group* akin to that assembled for *Agenda 2030*, should reflect on, and discuss the proposals, with the assistance of a synthesis paper prepared by the UN Secretariat.

The values that have shaped the success of the world since 1945 are still highly relevant, even if we need to revisit the structures and systems created after that war. We must advance those values vigorously, even as the world changes, and new powers rise, requiring adaptation. Failure to engage proactively in shaping a new order, fit for purpose in a new time, risks consigning us to increasing instability and eventual crisis. ■

EndNotes

- i Measuring the Health of the Liberal International Order, Michael J. Mazarr, Astrid Stuth Cevallos, Miranda Priebe, Andrew Radin, Kathleen Reedy, Alexander D. Rothenberg, Julia A. Thompson, Jordan Willcox, Rand Corporation, 2017 – https://www.rand.org/pubs/research_reports/RR1994.html

ii Foundational norms and institutions

- The norm (and legal and institutional principle) of **national sovereignty**
- The U.N. system

Economic norms and institutions

- The neoliberal economic norm of free movement of goods, services, capital, people
- International Monetary Fund
- Global and regional development banks (e.g., World Bank, Asian Development Bank, African Development Bank, European Development Bank, etc.)
- GATT/WTO treaties, legal and regulatory systems, dispute-resolution mechanisms
- Regional trade institutions (EU; NAFTA; APEC; Mercosur/I; Pacific Alliance; AU)
- New [BRICS] Development Bank, Asia Infrastructure Investment Bank; OBOR; Shanghai Cooperation Organization
- UNDP U.N. [regional] Economic Commissions
- Semi-formal associations (e.g., G-7, G-20, Group of 77, BRICS)
- BIS and central bank coordination instruments
- OECD and other informal organizations addressing economic development and trade.

Security norms and institutions

- The fundamental security norm of **nonaggression** embodied in the U.N. Charter and regional institutional charters
- International **law of armed conflict** and related legal norms
- **Arms control and non-proliferation** treaties and organizations (e.g. Treaty on the Non Proliferation of Nuclear Weapons;

Conference on Disarmament, Missile Technology Control Regime, Nuclear Suppliers Group, Proliferation Security Initiative)

- Multilateral and bilateral treaties of **pacific settlement of disputes** (peace treaties and similar instruments), transparency, and confidence-building
- U.N. Security Council
- **Security alliances** (North Atlantic Treaty Organization and U. S. bilateral alliances with Japan, the Republic of Korea, Australia, New Zealand, and Thailand; and security partnerships with other states; regional security institutions (EU CFSP, ASEAN Regional Forum, African Union)
- Intergovernmental organizations for **arms reduction, peacebuilding, and other security issues** (e.g., Organization for Security and Co-operation in Europe; U.N. Office for Disaster Risk Reduction)

Norms and institutions promoting common [liberal] values and collective goods

- The legal and normative framework for **human rights** (Universal Declaration on Human Rights etc.; International Criminal Court; European Court of Justice; Interpol)
- The legal and normative framework of conventions and treaties for the **environment** (e.g. UN Congress of Parties – Paris Agreement; Global Ocean Commission; Agenda 2030 – SDGs)
- Organizations setting policy and providing services for **health and welfare** (e.g., World Health Organization, World Food Program, UNICEF)
- Organizations coordinating **functional collective policy areas** (e.g. ITU; UPU; ILO; U.N. FAO; UNESCO; ICAO; UNCLOS; IMO)

- iii Quoted in Jeffrey Goldberg, "World Chaos and World Order: Conversations with Henry Kissinger," *Atlantic*, November 10, 2016.
- iv Measuring the Health of the Liberal International Order, p. xv
- v http://www.g20-insights.org/policy_briefs/reconceptualising-transnational-governance-making-global-institutions-fit-purpose/ – tab 'Analysis and Data'
- vi Measuring the Health of the Liberal International Order, pp. 20–22 Two requirements asserted by the authors ("The tone and character of U.S. leadership will have to change to sustain the current order" and "The United States must develop concepts for a more shared and seemingly equitable order.") are at odds with the approach taken by the present Administration.
- vii <https://www.futureworldfoundation.org/Home/Default.aspx> – tab Our Perspectives

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BACKGROUND ON IMPERIAL SPRINGS



Inaugurated in August 2011, Imperial Springs International Forum was officially established in 2015 with the approval of the Chinese government. It is currently co-hosted by the Chinese People's Association for Friendship with Foreign Countries (CPAFFC) and the Australia China Friendship and Exchange Association (ACFEA).

Held in the beautiful Imperial Springs International Convention Center in Conghua, Guangzhou, the forum serves as an important platform for people-to-people diplomacy and international exchange. It aims to enhance understanding and expand consensus among parties through discussions on important topics in the economy, politics and culture, thereby facilitating regional and global cooperation.

As an ideal environment for high-level forums, the Imperial Springs International Convention Center has hosted a number of important international conferences since 2011, including the Australia–China Friendship Forum on Economy and Trade, the International Museum

and Cultural Forum, the Australia–China Media Forum, the Global Economic Forum, the Global Leadership Summit of SME Leaders, the Going to Latin America Forum, and the 2014 China–Australia Economic Forum. More than 300 international dignitaries, including former U.S. President Bill Clinton, former Australian Prime Minister John Howard, business leaders, scholars and celebrities have participated in these events.

Under the theme “Inclusive, Sustainable and Resilient Cities in the Belt and Road Initiative” the 2016 Imperial Springs International Forum explored the potential global impact of the Belt and Road Initiative and how investments in cities along its way can foster efficient, inclusive and sustainable urbanization models. ■

The background image shows a traditional Korean landscape. In the foreground, the dark, tiled roofs of traditional Korean buildings are visible. Beyond them, a lush green valley stretches out, with a winding river or path cutting through it. In the distance, rolling hills and mountains are visible under a clear sky. A large, semi-transparent teal rectangle is superimposed over the right side of the image, serving as a backdrop for the title text.

FORUM ORGANIZERS

ORGANIZERS



WORLD LEADERSHIP ALLIANCE
CLUB DE MADRID

THE WORLD LEADERSHIP ALLIANCE-CLUB DE MADRID

is a non-profit international organization and the world's largest, independent group of democratic, political leaders, committed to addressing the challenges of good governance and effective leadership. The principal added value of the WLA-CdM is a membership of more than 100 former Presidents and Prime Ministers, from more than 70 countries, willing and able to share their diverse leadership experience, expertise, and networks with governments, inter-governmental organizations, civil society, scholars and the business world, building bridges between them and current leaders and policy makers and encouraging dialogue to foster social and political change towards inclusive and peaceful societies.



中国人民对外友好协会
Chinese People's Association for
Friendship with Foreign Countries

THE CHINESE PEOPLE'S ASSOCIATION FOR FRIENDSHIP WITH FOREIGN COUNTRIES (CPAFFC)

is a national people's organization engaged in people-to-people diplomacy of the People's Republic of China. The aims of the Association are to enhance people's friendship, further international cooperation, safeguard world peace and promote common development. On behalf of the Chinese people, it makes friends and deepens friendship in the international community and various countries around the world, lays and expands the social basis of friendly relations between China and other countries, and works for the cause of human progress and solidarity. It implements China's independent foreign policy of peace, observing the Five Principles of Peaceful Coexistence, while carrying out all-directional, multi-level and broad-area people-to-people friendship work.



澳中友好交流协会
AUSTRALIA CHINA FRIENDSHIP
AND EXCHANGE ASSOCIATION

THE AUSTRALIA AND CHINA FRIENDSHIP ASSOCIATION (ACFEA)

was registered in September 2005 in the NSW Australia as a non-for-profit institution. The president of the association is Dr. Chau Chak Wing, a prestigious leader in the Chinese community of Australia. Its Advisory Board consists of members who are interested in the promotion of people-to-people contact between Australia and China. Since its establishment, the ACFEA has been committed to the promotion of friendly exchanges between Australia and China in the areas of trade and economy, culture, education, the arts and science while organizing high-profile bilateral dialogues or events. The ACFEA headquarters in Sydney Australia with representative offices located in Beijing, Guangzhou and Hong Kong. ■

CO-ORGANIZERS









从都国际论坛

IMPERIAL SPRINGS
INTERNATIONAL FORUM



澳中友好交流协会
AUSTRALIA CHINA FRIENDSHIP
AND EXCHANGE ASSOCIATION



中国人民对外友好协会
Chinese People's Association for
Friendship with Foreign Countries



WORLD LEADERSHIP ALLIANCE
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