GLOBAL GOVERNANCE

Mainstream Heiligendamm

21/12/2010 – by Sachin Chaturvedi

The G20 has not moved beyond symbolism on several important issues. Before the summit in Seoul, it was expected that the leaders would consider strategic responses to global trends in fields like investment and technology. But in spite of rhetoric on the growing role of emerging economies in international politics, there was hardly any real progress. [By Sachin Chaturvedi]

The Seoul summit once again focussed on macroeconomics and the volatility of the financial system. There was far too little scope for discussing global development, which is of prime concern to developing countries, whether they are present at the elite table or not.

Things should be different. When Germany presided over the G8 in 2007, the Heiligendamm Process was started. It was about the G8 systematically engaging China, India, Brazil, Mexico and South Africa on development issues. This was a promising start and its emphasis was reinforced by the G8 summit in L'Aquila in 2009. The G20 should now do its best to catch up with the Heiligendamm Process.

The advent of the G20 as a meeting of the heads of state and government from 19 of the world's most important countries and the EU is generally viewed as an important step towards more effective global governance. Success always has many parents. In the long run, it will not matter who started this process. What really matters is to manage the G20 in a way to ensure effectiveness in addressing various global challenges at different levels.

Global governance challenges

The foremost challenge is to explore how best to modify global governance mechanisms to make them more inclusive and effective. Humanity must not stick to obsolete, overly formalised and unrepresentative global institutions. The G20 is a more inclusive and more representative group than the G8. It is better suited to drafting a global agenda for collective action.

South Korea as the most recent G20 host made some positive efforts in this direction. It proposed an agenda that was focussed on development issues. For the first time, these issues were on the G20’s table. Nonetheless, the summit in Seoul mostly busied itself with an agenda predefined by the meeting of finance ministers and central bank governors a month earlier. The overarching topics were therefore exchange rates, global trade imbalances, efforts to boost and share growth as well as institutional reform at the International Monetary Fund.

Two days ahead of the summit, former UN Secretary-General Kofi Annan expressed concern: “Naturally, it is my profound hope that the principles of fairness, balance and the common good will also inform these discussions – and not only those on issues such as undervalued currencies, lopsided trade statistics or skewed consumption patterns, however important they may be. Unfortunately, the signs are decidedly mixed.” In retrospect, his doubts proved justified.

 Nonetheless, Seoul did prepare the ground for improvements. The next meetings, in France and Mexico respectively, should tackle the important topics. An annexure to the main summit declaration called the Seoul Development Consensus grants ample scope for doing so.

It would certainly make sense to ensure that more voices from outside the G20 are heard in future. Such voices are likely to stress development issues on the one hand and their links to other G20 issues, tax-havens for instance, on the other. Tax havens, it must be stated again and again, hamper development because they allow far too much money to bypass the revenue services of developing countries.

There are many issues of relevance to all of humankind. Tackling them may make the difference between war and peace in the future. Global governance must deliver much more in these fields than has been feasible so far. Access to food and medicine are the two major challenges many parts of the developing world are grappling with (see box). This is the most urgent global agenda of all.

**The way forward**

The real question is how to make global governance more inclusive and more effective. It has often been said that the limited focus of existing institutions does not allow the majority of the global population to be part of the global processes.

South Korea’s Lee Myung-bak has proposed to set up a permanent G20 secretariat to facilitate the implementation of the summit declaration. France, the country to next chair the G20, is in favour of this idea. But the idea needs to be worked upon further. There should be no efforts to create more bureaucratic bodies at the global level. The goal should be to redesign global institutions in a way that best promotes global progress. Once more, the Heiligendamm Process could serve as an example. Its working-group approach is certainly worth exploring.

But it is also very important to build and develop capacities among the various economies. All nations must be enabled to respond to – and even shape – globalisation. Of foremost importance is the building of institutions and legal systems to facilitate balanced economic growth. As elaborated in the box on food and medicines below, innovation and new technologies also deserve global attention.

Another crucial issue is to provide a platform for strong civil-society participation at the global level. Ensuring civil-society engagement at the global level may be one of the key mechanisms to address global inequality and poverty and other developmental challenges like illiteracy, health, sanitation et cetera.

It bears repetition that the process of globalisation has raised questions relating to inequality and improper distribution of gains. These are issues the developing countries have to consider. They have to put their houses in order. For too long, many governments have neglected important policy areas, leaving them to the G8 or, in the meantime, the G20.
The sad truth is that far too few developing countries have managed to tap growth opportunities. The dynamics of economic development through globalisation has certainly created some islands of prosperity. But up to now there merely is a handful of new “Norths” in the global South. The governments of the countries lagging behind need to tackle a host of issues, including things like infrastructure, alternative energy sources and energy security.

Indeed, the world cannot leave solving the climate crisis to the G20. Though the G20 members are the major emitters of greenhouse gases, their get-togethers have mostly shied from the topic. The main reason is probably that the USA and other rich nations insist on all countries bearing the same reduction burdens, whereas the governments of emerging economies are right to point out that their people are still much poorer than those of the G8 and, moreover, their countries hardly contributed to bringing about climate change in the past. The truth is that G20 members may meet at the same table, but they are certainly not equal.

Food and medicine

It is well understood that the lack of access to either medicine and food can cause unrest. There is ample evidence of the civil order being challenged when either is denied to masses of people. We know, moreover, what needs to be done. Development literature abounds with solutions to pressing problems. The G20 must rise to these challenges.

Several African countries faced food-related riots in 2008 and in 2009. Different parts of the world struggle to boost agricultural productivity beyond stagnation. Unless that is done, however, it will be impossible to make food available to everyone.

The International Assessment of Agricultural Knowledge, Science and Technology for Development (IAASTD) was concluded in 2008. To date, it is the most comprehensive global effort to analyse food and agriculture issues. Based on diverse stakeholders and multi-disciplinary research, the IAASTD stressed the urgency of improving rural livelihoods and implementing inclusive and sustainable development in the agriculture sector. The report spells out what challenges farmers face and how science and technology can facilitate food security in future.

It is expected that the world population will grow to 9.1 billion by 2015. To feed these masses, global food production will have to rise by 70% and the harvests of developing countries will have to double. This is an issue the G20 must deal with – not least because private-sector companies are increasingly acquiring patents and intellectual property rights that relate to gene sequences, for instance.

There are similar challenges in the health sector. Multinational corporations charge such high prices that the affordability of their drugs is a major issue (RIS, 2009). The G20 needs to advance work done by the Innovation Group of the Heiligendamm Process on global mechanisms to ensure availability of food and drugs all over the world without adversely affecting innovations. There are several options, and they need to be explored from a public policy perspective.
In this context, the Health Impact Fund (HIF) is an interesting public policy option (Pogge, 2010). The idea is to implement a new set of incentives very different from the current patent system. Governments and other donors would finance the HIF, and it would pay pharmaceutical companies for performance. The pharma industry would register new medicines and the HIF would ensure distribution worldwide. By registering its drugs, a firm would forgo conventional profits, but it would be awarded for global distribution according to the HIF's assessment of the drugs' health impact.

An Agricultural Impact Fund (AIF) could be designed along similar lines. It too might serve innovators who have a patentable new technology and contribute to boosting agricultural output without substantial cost increases. Innovators would have the option to license a technology worldwide at no cost in exchange for annual reward payments proportional to the nutritional benefits their innovation brings about. These are the kind of challenges the G20 really must rise to. (sc)

References:


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