

## Evian Group Taskforce Meeting

# Equitable and Sustainable Globalisation Principles for Global Governance

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### Summary Report

*The world economic system is struggling to adjust to a new post-crisis equilibrium. There is growing recognition that global capitalism is ineffectively managed, both at the international and domestic level, partly at the expense of equity and sustainability concerns. In order to grapple with this broad interaction between globalisation and justice, The Evian Group@IMD convened a meeting of experts, policy-makers, trade negotiators and representatives from business and civil society. The objective of the meeting was to reach a set of conclusions that would help broaden the boundaries of a “global community of concerns.” The discussions were structured along four themes: inequality within societies, inequity between countries, adjustment in the context of finite resources, and principles for achieving global governance. The preliminary recommendation is that confidence building and dialogue remain of essence in a dissonant global environment.*

## 1. Globalisation and inequality within societies

a. The taskforce agreed that rising income inequalities were a concern for many countries although the group failed to expand on the relationship between globalisation and measurable social imbalances (in terms of Gini coefficients or income shares per decile for example).<sup>1</sup> Nonetheless, be it due to skill-biased technological change, the declining bargaining power of labour, regulatory capture by influential interest groups, or the exponential pace of globalised trade and investment flows in response to which governments have failed to provide adequate fiscal, educational or social policy frameworks, there was broad acceptance that the domestic distributional aspect of globalisation mattered.

b. An important distinction was made between the dynamics of upward and downward inequalities (principally discussed with reference to aspirations in emerging versus developed economies). Societies accept trade-offs and can tolerate a certain inequality threshold as long as social mobility is not perceived to be static (described in the meeting as sufficient belief in the equality of opportunities to ease the pressure derived from inequitable outcomes). The trickle-down economic principle according to which a rising tide may eventually lift all boats, which has tended to exonerate market actors from distributional outcomes beyond efficiency gains, was brought into the debates to inconclusive end. The dialogue oscillated between

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<sup>1</sup> A number of recent reports on inequalities from institutions not usually associated with systemic dissent were cited during the meeting. They include the World Economic Forum’s 2012 Global Risks Report in which inequalities top the list after not having figured two years ago (<http://reports.weforum.org/global-risks-2012/>), the 2011 OECD report ‘Divided we Stand: why inequality keeps rising’ ([www.oecd.org/els/social/inequality/](http://www.oecd.org/els/social/inequality/)) which calls for a comprehensive strategy in rich countries for equitable growth, and a 2011 IMF research paper ‘Inequality and Unsustainable Growth: two sides of the same coin?’ (<http://www.imf.org/external/pubs/ft/sdn/2011/sdn1108.pdf>) in which the authors identify income inequality as harmful to future economic prospects. In response to whether the taskforce was taking a Western perspective on this issue it was noted that inclusive growth is a cornerstone of India’s 11<sup>th</sup> Five Year Plan (2007-12) and one of the guiding principles of China’s 12<sup>th</sup> Five Year Plan (2011-15). Oxfam’s 2012 report ‘Left Behind by the G20?’ (<http://www.oxfam.org/en/policy/left-behind-by-g20>), in which the authors find that inequalities have risen in fourteen of the G20 countries, was also cited.

divides on the enabling and regulatory roles of government (tax codes, labour legislation, basic needs provision, healthcare, governance, etc.) in shaping the contours of an equitable society in synch with the requirements of a globalising world. The one area in which participants agreed was education: the State as catalyst for opportunities through sound educational systems, investment in research, skills development (including humanities and the arts) and technical training.

c. The taskforce then specifically identified a failure of democratic systems whereby an increasing concentration of economic power (e.g. financial services industry), coupled with the inability or unwillingness of governments to take responsibility for their actions, was altering the capacity to govern to the benefit of the majority. In this context, it was noted that inequalities narrow the space for public dialogue and have an impact not only on an individual's self-worth but also on his/her sense of belonging to a community. The conclusion was that the quality of our democracies required care and that the debate about inequalities under the present crisis is profoundly about democratic governance (and, it was further suggested, a failure of the nation state whose role needs to be re-envisioned as a system steward in response to the complexity and uncertainty of our times).

## **2. Globalisation and inequity between countries (especially LDCs)**

d. The taskforce discussions on inequity between countries were polarised. The opening conjecture was that global inequalities become inequity when the chasm in wealth becomes impossible to bridge (poverty traps and further marginalisation) and this is where most LDCs are caught today despite twenty years of integration into the global system. The question in terms of shaping a moral community of concerns then turned to whether the international community can mobilise rather than retreat into inward looking considerations. The outlook was seen as generally pessimistic for two reasons. First, the order of magnitude of the problem is not decreasing (environment, water and food crises compound the situation) and, second, we seem to be moving towards a competitive rather than cooperative international system in which populations with means and resources behave like gated communities.

e. Participants disagreed on the extent to which international inequities are related to systemic considerations and/or domestic aspects of governance. If there was a consensus it was probably that it is a combination of both. Given the shifts in economic power over the past two decades it was generally agreed that there should be greater differentiation among developing countries so that complementary trade, development and aid instruments (trade facilitation, supply-side capacities, skills training, assistance to meet technical requirements and sanitary measures) focus on the poorest and their ability to integrate (governance reforms, investment frameworks, judicial oversight, business environment) and benefit from market access (AGOA, EBA or other preferential schemes). The impact of developed and emerging market subsidies was not discussed. It was also striking to note how conditionality (presented as a participative process) has re-entered the policy debate despite the many shades of grey in the overlap between governance, economic performance and social outcomes.

f. As suggested above, there was widespread agreement amongst the taskforce that international commerce has many benefits but that one cannot assume that trade liberalisation will necessarily lead to the intended benefits in poor countries. The dynamics of global value chain fragmentation and location as a potential fast track to industrial upgrading were brought into the discussions. A question that was debated without reaching any conclusive answer was the role of industrial policy as a development strategy in redressing international inequities. An increasing number of countries are turning to China's model of State-led capitalism as a viable alternative to the free-market template of the past two decades. This is a subject to which the taskforce may decide to return in greater depth in the future. Another topic the group may wish to pursue (only briefly touched upon beyond the institutional angle) is the

role of the indigenous private sector in LDCs, the optimisation of local resources and the convergence between the public and private interest.

### **3. Adjustment in the context of finite resources**

g. One of the assumptions underlying the four themes examined by the taskforce is that the world is experiencing a crisis of global economic policy. Troubles in the multilateral arena (e.g. trade or climate negotiations) are symptomatic of a broader predicament in which it is proving difficult to define the proper linkages between established economic norms and other areas of major public policy concern to humanity. From a sustainability perspective, it was put forward that the current economic crisis should not be seen as a stutter but rather a questioning of the entire paradigm (unbridled growth), as it coincides with the maturing of environmental crises (water scarcity, food security, access to energy, biodiversity, fish stocks, carbon emissions). In this context, the green economy (an organisation of economic activity whereby progress yields results both in terms of employment and the environment) should be given greater attention from a policy perspective. Building on the future recommendations on sustainable development to emerge from the 2012 Rio Summit, the taskforce may decide to further delve into the manner in which optimal trade policy (capacities, institutions, rules) can be crafted in relation to a shared consensus on global sustainability objectives.

h. Another prism through which the topic was discussed was the fierce competition for natural resources and attempts at the international level to respond through the creation of legal regimes (that aim to temper the balkanised scramble for scarce resources). It was put to the group that the core concept of national sovereignty is embedded in the two bodies of law that govern access to natural resources (international trade and environmental law) and that this gives rise to an awkward state of affairs with respect to public goods. First, the sovereignty prerogative implies that WTO obligations may be strong on the import side but imposes few constraints on the export side (examples to the contrary include provisions in the accession of new members regarding the application of export duties or dual energy pricing). Second, there are hurdles to reaching effective environmental regimes where the sovereignty issue (property rights) has not been established (e.g. partitioning a finite carbon space, reaching a fisheries agreement, competing Arctic claims tabled at the UN Convention on the Law of the Sea). Again, the above reflections give rise to a set of critical questions that the taskforce may decide to look into in the future: does the concept of sovereignty help or hamper the sustainable utilisation of scarce natural resources and does it lead to an equitable sharing of these resources?

i. The third perspective broached the uncomfortable matter of individual behaviour and inter-generational welfare. With advanced energy modelling presented as a reference point, it was shown that the numbers extrapolated from present trends along the triangular variables of energy supply, energy demand and climate change point to a vertiginous cliff in the absence of significant behavioural change (as one participant put it in a slightly different context, the consumer in our quadrasonic homo economicus is overshadowing the citizen). This complexity is reinforced by the acknowledgment that our resource constraints are fundamentally interlinked, thereby caging us in a catch-22 downward spiral: every adjustment seems to carry a secondary cost. Unless one places tremendous faith in the combined power of markets, government foresight, technological change and international cooperation, the implications with regard to social organisation are considerable. In terms of cooperation, the open question that was raised at the meeting was whether traditional forms of diplomacy and governance are equipped to deal with the predatory environment described above.

### **4. Principles for global governance**

j. The taskforce turned most of its attention in the final session to the more habitual Evian Group terrain of multilateral trade. The premise supporting the debate was that global

governance is necessary yet elusive, largely due to the significance of the present historical shift in which we are grappling with a new architecture for the global economy that integrates emerging nations (while juggling with the equity and sustainability concerns discussed throughout the meeting). The taskforce repeatedly called for innovative thinking, possibly a degree of modesty with respect to short-term objectives (tangible steps that have the potential to create a new dynamic in terms of confidence building), and an infusion of vision (a sense of destination regarding our common overarching concerns) that feeds into the overall process for policy-makers (although articulating this vision at the global level will clearly fall hostage to power relations, ideology and irreconcilable value judgements unless it can be appropriated and locally contextualised by as many cross-national citizens as possible). The two concepts on which the taskforce somewhat agreed as guiding principles for global governance were inclusiveness (distribution of benefits) and accountability (building communities of trust) – to which were added non-discrimination, difference in burden sharing according to individual capacity, flexibility and timeliness, transparency, coherence and subsidiarity.

k. When the multilateral trade negotiations and recent WTO Ministerial Conference in Geneva were discussed, there was a broad consensus at the meeting that Doha had reached an impasse and that a mandate had been given to explore new approaches. However, the consensus wavered when it came to defining the parameters of these approaches. The dominant idea of plurilaterals (designed with an open architecture and deliberately engineered as stepping stones to multilateralism) was presented as the best alternative to the single-undertaking approach in terms of delivering results. Articulating the constructive relationship between regional agreements and the WTO in terms of a regime complex was also brought to the table. It was suggested that these new approaches would be an interesting focus area for future taskforce discussions (although there is a risk that these deliberations on process will get bogged down in the same sort of stasis as they have over substance during the past decade while the world economy, with its imbalances, continues to power ahead rudderless).

l. Conclusions and way forward: broadening the boundaries of a global community of concerns. The world has experienced a number of profound, indeed seismic, simultaneous discontinuities. The amazing speed with which these have occurred creates great disruptions. Twenty years ago, the emerging economies corresponded to 30% of global GDP (in purchasing power terms); today it is 50% and rising. 20 years ago the ICT revolution was at its very early stages. Adjusting mind-sets and institutions to change is difficult at the best of times; when change is occurring at super-high velocity it becomes exponentially more so. One of the outcomes is an intensified Darwinian environment. Even though most of humanity may be doing better than 20 years ago, some are doing much better than others. With greater connectivity and rapid urbanisation, there is a far greater degree of awareness and enhanced perceptions of the world and its real or perhaps sometimes imaginary injustices. All these forces require that new solutions be sought and paradigms defined especially in terms of developing something approaching a global village. The trade agenda has no choice but to take these factors into consideration.

The Evian Group is committed to continuing to address the challenge of re-conceptualising the multilateral trade system and all key issues associated with it – with global equity and sustainability at the forefront of concerns. It will continue its role as a platform for generating ideas and dialogue across multi-stakeholder groups, geographies and economies in the context of the unprecedented depth and speed of transformations occurring in the global environment.

Click [here](#) to access the previous Evian Taskforce report entitled “Lessons from Doha – Moving Forward Multilaterally in the 21st Century Global Business Environment”, 7 July 2011.