Quadruple or Quits

Managing the overlaps between the 2015 agendas on climate, trade, SDGs, and finance for development

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A decade of multilateralism; not much to show for it

Thanks for inviting me to present today – it's nice to be back at DFID. There's a slight feeling of déjà vu, given that my last year as special adviser here, in 2005-6, saw another convergence of multiple multilateral processes, what with the 2005 UN World Summit, the UK's chairmanship of the G8 at Gleneagles, and Tony Blair and Gordon Brown's Commission for Africa.

Back then, it was easy to speculate on how much more we could have achieved if it hadn't been for the presence of the Bush Administration in the White House. But nearly a decade on, it's clear that the obstacles to collective action in an age increasingly defined by global challenges are rather more deep rooted than that.

On climate, we've had the disappointment of the 2009 Copenhagen summit, which represented a marked setback for the notion of binding targets and timetables, in favour of the much more problematic approach of 'pledge and review'.

On sustainable development, the 2012 Rio summit yielded precious few concrete outcomes; the most notable was the launch of yet another process, to agree Sustainable Development Goals. (The year before *that*, the UN's Commission on Sustainable Development had broken up without agreement despite the fact that nothing contentious was even on the agenda.)

On trade, admittedly, the governments managed to strike a deal at the December 2013 WTO ministerial. But this was the first agreement achieved at the WTO in *eighteen years* since its launch – and even then, it was a drastic scaling down of the initial ambition of the Doha round, especially for least developed countries.

And on finance for development, finally, global aid flows have been falling steadily as rich countries feel the pinch – from 0.32% of their national income in 2010 to 0.29% at the last count in 2012 – rather than rising to meet the long-standing target of 0.7%. Promises on climate finance, too, are starting to look hollow: while developed countries have promised $100 billion a year by 2020, at the last count the Green Climate Fund was only capitalised to the tune of $7.5 million.

Despite a few successes, including the UK's commendable work on tax transparency, the G8's track record in recent years has also been disappointing. Still more so has been the G20, given the high hopes many had of its capacity to re-energise global leadership. Too often, G8 and G20 summits seem limited in ambition to launching a headline-grabbing 'initiative' that's soon forgotten. When they do try to achieve something more substantive – as for example the French government did at the G20 in 2011, when a robust package on resource scarcity was on the table – the objections quickly start to emerge, by and large from predictable 'usual suspects'.

Even the one bright spot – plans agreed in 2010 to reform the board of the International Monetary Fund to give a bigger voice to developing countries – has since dimmed, a casualty of Republican intransigence over the United States' recent fiscal deal in early 2014.

My NYU colleague David Steven and I coined a phrase for the tendency towards stalemate that we've seen so often over the last few years: 'multilateral zombies'. Processes that stagger on, moaning piteously, never making much progress, but never quite dying either. Ian Bremmer is even pithier in his term for it: 'G Zero', a world in which *no* governments are prepared to show real leadership on global challenges.

Admittedly, it's not all bad news. Smaller, pluriteral 'clubs' like the Global Alliance on Vaccines and Immunisation have made progress where less wieldy processes have fallen short. The World Bank is reinventing itself as a new kind of institution, focused not just on extreme poverty but also on 'shared prosperity' in all countries as well as global public goods. Above all, governments should take great pride in the fact that the headline Millennium Development Goal – halving poverty by 2015 – was achieved seven years early, with more people escaping poverty between 2000 and 2015 than ever before.

Even so, these have on balance been lean years for people who believe that global solutions are needed to global challenges. And it's likely to get harder from here on out.

Quadruple or quits

Despite the disappointments of the last decade, the next two years will see the world's governments defiantly embark on no fewer than *four* high-stakes multilateral agendas – a case, if you will, of quadruple or quits.

In September 2015, they are due to agree the new set of Sustainable Development Goals to replace the Millennium Development Goals, which will expire at the end of that year. December 2015 will see the WTO's next ministerial summit, as well as a crucial climate summit in Paris summit which is supposed to agree the next chapter of global efforts to limit greenhouse gas emissions from 2020 onwards. Finally, we now know that there will also be a high level summit on financing for development at some point in 2015 or early 2016.

As these agendas gather pace, elections will be taking place *everywhere*. In 2014, they'll be held in Turkey, South Africa, India, Indonesia, and Brazil; in 2015, Argentina and Canada. This year will also see European Parliament elections and the replacement of all the European Commission's top jobs; and next year, of course, we have our own general election.

About the only election we *don't* have to contend with over the next two years is a US presidential election. But we do have Congressional midterms towards the end of this year – and Senate majority leader Harry Reid's recent scotching of prospects for Obama to win fast track trade negotiating authority from Congress has given us a trailer for what we can expect as they draw closer.

Anyone hoping that 2014's G8 or G20 summits may help to unlock progress, meanwhile, should pause to consider that Russia and Australia – neither of which are conspicuous champions of multilateralism under their current governments – are chairing the two bodies this year (putting plenty of pressure on Germany and Turkey respectively when they take over the helm in 2015).

And if you think the *politics* of what we're setting out to achieve looks challenging, just wait until you see the *issues* involved in the four 2015 agendas.

Getting rid of the second half of extreme poverty – finishing the job on the Millennium Development Goals, in other words – will be *much* harder than tacking the first half. The world's remaining poor will increasingly be concentrated in fragile states (or parts of them), usually in populations that are the subject of ethnic or geographical discrimination. Aid donors will need to update their toolkit rapidly if they're serious about making progress in such challenging environments.

The reductions in poverty achieved over the last decade and a half are also more fragile than they look. The 'breakout generation' that has recently escaped poverty in the world's middle income countries and burgeoning cities may have seen their incomes rise significantly over the last two decades, but they also face plenty of glass ceilings – as well as the risk of sliding back into poverty.

A slowdown in growth in emerging economies – which now shows signs of happening – would hit them hard. Many of those living on between $2 and $13 in developing countries (the World Bank's definition of 'middle class' in developing countries) remain in insecure or poorly paid work.

They're also at the sharp end of resource scarcity and its effects on prices for basic goods; creaking urban infrastructures as the world's new megacities struggle to provide their residents with power, water, transport, and other essential services; and inadequacies in social protection, to which only a fifth of the world's people enjoy access – not to mention longer term transboundary risks like climate change or financial shocks.

And while the 2000s may have seen huge strides on poverty, when it comes to sustainability, the strides made have been backwards. The aim of limiting global average warming to 2 degrees Celsius is very much in the last chance saloon; the International Energy Agency estimates that current policies instead put the world on track for somewhere between 3.6 and 5.3 degrees of warming. Global emissions need to peak by 2020 if the world is to have any chance whatsoever of staying below 2 degrees, but have risen 46% since 1990.

Most fundamentally, the global economy is rapidly approaching a range of environmental limits. Researchers at the Stockholm Environment Institute argue that apart from climate change, the world is also beyond its safe 'planetary boundaries' on the global nitrogen cycle and species loss – in the latter case, so much so that researchers are warning that the Earth is now in its sixth mass extinction event. We're also rapidly heading in to the danger zone on ocean acidification, land use, and fresh water use.

Meanwhile, the ‘Green Revolution’ that allowed food production to keep pace with global population as it rose from 5 to 7 billion is showing signs of diminishing returns, even as demand spirals thanks to a growing population and a larger and more affluent global middle class. Future supply growth will also be constrained by declining water availability, rising competition for land, and the impacts of climate change.

A similar dynamic of diminishing returns is happening on energy sources from fossil fuels to renewables, where ratios of energy returned on energy invested are declining steadily. While this ratio was 40:1 in 1990 for the global economy as a whole, it has since declined to 20:1 in 2010, and looks set to dwindle as little as 5:1 by 2020, implying that the energy surpluses that created the twentieth century’s age of abundance are becoming a thing of the past.

Zero or non-zero?

All this is taking place, finally, as globalisation itself – the great engine of the huge reductions in poverty of recent years – shows increasing signs of stress.

While the world has avoided a slide into 1930s style tit-for-tat measures in the wake of the financial crisis, 1,500 ‘stealth protectionist’ measures have been introduced since the G20 undertook not to do so in 2008. Trade is growing more slowly than global GDP for the first time in three decades. In the OECD group of advanced economies, support for globalisation looks to be ebbing as median wage earners contemplate continuing high unemployment levels and the prospect, in 2015, of entering a fifth consecutive decade of real terms wage stagnation.

In emerging economies, too – which proved largely immune to the global economic headwinds of the Great Recession – the picture is now getting less rosy. Growth is slowing down; concerns about capital flight are back on the radar as the Fed’s taper gathers pace. The stakes are especially high in China, which is currently confronting the need to defuse an overheated financial sector at the same time as undertaking a tough transition from an economy powered by exports and investment to one driven by domestic consumption.

Amid such challenges, there is a risk that globalisation could stall or go into reverse, as a recent report from the investment bank UBS warned – in the process risking a tip into a zero sum world of protectionism, nationalism, competition for resources, and heightened risk of conflict.

Nor would this be unprecedented. A century ago this year, the world was at the zenith of another age of technological innovation, free movements of ideas, people, and money across borders, and cheap consumer goods – a state that appeared, as Keynes was later to observe, “normal, certain, and permanent, except in the direction of further improvement”. Then too, systemic imbalances and risks were allowed to build up unaddressed, only for the First World War to erupt and show how fragile the world’s first period of globalisation had really been.

On the other hand, the systemic challenges facing the world could prompt a decisive shift towards more non-zero sum cooperation in a revitalised, rules-based international order. So for all that cynics will enjoy scoffing at prospects for the four global agendas that culminate in 2015, they do matter: all four will play a key role in determining what kind of world we head towards.

Four agendas or one grand bargain?

The immediate question that all governments face, as they develop their policy positions and influencing strategies across the four tracks, is whether it makes more sense to play up the links and overlaps between the four agendas – perhaps going so far as to think of a 2015 'grand bargain' – or whether instead to try as much as possible to keep them discrete from one another.

No one pretends that it will be possible to keep them *wholly* separate. At the very least, it seems clear that with four processes running concurrently, the political 'mood music' will be infectious across the four tracks. Success on one track will on balance tend to breed more of the same on the other three – and of the course the converse will apply too, all the more so as the 'feral media' gleefully look for opportunities to proclaim the latest multilateral train wreck.

As a result, there will be a premium on securing 'early wins' and confidence building measures that can help to set the right narrative early on. But what about beyond this? A few areas worth considering are as follows.

Connecting the dots on international public finance

First, international public finance – including both aid spending, and climate finance. More money is needed in both categories. But so too is a clearer integration of the two, given that in reality, climate finance is not as neatly separable from the rest of development as its advocates in the UN climate process like to pretend.

This process of connecting the dots should start with a clearer typology of different country needs. For middle income countries – who can now access development finance from sources including foreign direct investment, commercial debt, portfolio equity, migrant worker remittances, and above all domestic tax revenue and savings – aid is now almost an irrelevance, accounting for just 0.3% of their GDP.

In low income countries, on the other hand – which have benefited much less from these new sources of finance – aid still represents almost 10% of GDP; and it's here that the price tag for adapting to climate change will be steepest, too. With aid and climate finance levels likely to remain under pressure, there's a clear case for targeting them more rigorously at the poorest countries.

The world also badly under-invests in global public goods. Across areas ranging from agricultural research and development, vaccine production, and technology cooperation through to peacekeeping, rainforest preservation, and climate change mitigation, worldwide spending on GPGs came to just $12 billion in 2009 – just a tenth of global aid flows in that year, with three quarters of this going to UN peacekeeping alone.

Figuring out how to work with the private sector is another crucial part of the mix, given its importance to both poverty reduction and sustainability. With $50 trillion available on international equity markets and another $100 trillion in sovereign and intergovernmental debt, it's not as if there's a shortage of capital.

But if governments are serious about getting the private sector to redirect this towards sustainable development, voluntary partnerships with businesses will not be enough. They will also have to get much better at setting policy frameworks that businesses perceive to be credible over the long term – something they have often struggled to do in the past.

What will 'universal' development goals actually mean?

If finance is one big question, then another is what exactly is meant by the 'universal' set of Sustainable Development Goals that governments have now undertaken to produce.

Whatever their faults, the Millennium Development Goals were admirable in their clarity. *What* they were about was reducing the number of people in absolute poverty; *how* this would be achieved was primarily through increased aid spending.

This time around, the UN General Assembly resolved last September, the new Sustainable Development Goals will be universal – the implication being that they will be relevant not just to a billion poor people, but instead to all seven billion of the world's people.

Exactly what Goals this new agenda will yield remains to be seen, although if the UN High Level Panel co-chaired by David Cameron is anything to by, then one of the headlines is likely to be much greater focus on sustainability.

But what *is* already clear is that for all the risks of the 'post-2015' process becoming yet another UN talking shop, it is – for now, at least – the only global, cross-issue, high-level, government-led conversation currently underway about the need for a transition to a more sustainable and inclusive globalisation.

For that to generate meaningful outcomes, though, it will be essential to focus more rigorously on the key elements of a new Global Partnership for sustainable development – not just financing, but issues like technology transfer, migration, intellectual property, sustainable consumption and production, trade, debt relief, global governance reform, and many more.

Data and transparency

An especially important element of this new Global Partnership, with great scope to exploit the overlaps between the four 2015 agendas, is transparency and the 'data revolution'. On all four agendas, the quality of data is crucial: from the inadequacies of household survey data and national statistics in development, through to the need for accurate monitoring, reporting, and verification on climate change.

At the same time, if we're serious about improving the coherence of international efforts and overcoming current problems of endemic fragmentation into institutional and issue 'silos', then it's integration of data – rather than endless attempts to 'redraw organograms' – that's where much of the gold is buried.

The UK has a real record of leadership to build on here, not just on its G8 tax agenda, but also in its strong commitment to the Open Government Partnership, and should actively look for ways to go further – in particular, by look for ways to connect data across all four tracks.

One concrete way it could do that is by giving a real push to the idea of an integrated Global Sustainable Development Outlook report – an idea mandated at the 2012 Rio summit, and emphasised in the High-level Panel on the post-2015 agenda. The world has outlook reports on energy, economics, environment, and more – but no report that covers *all* these areas, giving policymakers the full picture.

If we got this right, it would be not just a valuable data source that we currently lack, but also a major engine of 'jointness' among international agencies – and a potential stimulus for greater effort, by highlighting which governments are leaders and which are laggards on the global issues that matter.

What do middle income countries want?

On a more political note, a key question that cuts across all four 2015 agendas is what middle income countries want in each case. As more and more low income countries have 'graduated' to middle income status, this has become a large grouping, encompassing not only the oft-cited 'BRICS' emerging economies, but also key regional influencers like Indonesia, Turkey, Mexico, and Colombia, as well as fragile and highly populous states like Nigeria, Kenya, and Pakistan.

By any reckoning, these countries will play a central role in shaping the world's future. Charles Kenny of the Center for Global Development calculates that non-OECD (in practice, mainly middle income) countries account for 70% of the world's foreign exchange reserves; 43% of global trade (and perhaps two thirds by 2030, by when they'll also provide 30-40% of foreign direct investment); and two thirds of carbon dioxide emissions (as much as three quarters by 2030). They're also home to the majority of the world's migrants, most of its biodiversity, and the bulk of its infectious disease caseload.

The question of what these countries want from multilateralism is hence a big deal. In many cases – including climate policy, resource security, and their rapidly growing foreign aid programs – the answer seems to be 'to be left alone', with their approaches firmly based on national sovereignty rather than international coordination.

In other cases, middle income countries emphasise broad brush and often somewhat rhetorical interests – better representation at the top table of global governance, more technology transfer, calls for equity and 'common but differentiated responsibilities' – without providing much clarity about what that would look like in practice.

And in other cases again – where self-interest and tangible gains are clearly at stake – middle income countries are much more engaged. Trade negotiations are one obvious case, from agricultural liberalisation for 'Cairns Group' exporters like Brazil to non-agricultural market access for manufacturing-led economies like China. And almost all middle income countries want more climate finance as the quid pro quo if developed countries want them to make real strides on reducing their emissions or avoiding future emissions from deforestation.

It's worth considering, too, whether success on the four 2015 agendas could be helped bby cross-issue bargains. Back when the question of whether or not Russia would ratify Kyoto was the key variable on which the treaty's entry into force hinged, British diplomats spotted that WTO accession was the prize that could persuade Russia to move. It's possible that similar trades across issue silos could help unlock progress this time around too.

And what about least developed countries?

If middle income countries are one key constituency on the four 2015 agendas, then another is the world's least developed countries.

LDCs are already unhappy about shortfalls in aid spending – hardly a surprise, given that aid to the poorest countries has over the last two years fallen substantially faster to them than to developing countries as a whole – and climate finance. They are also uneasy about the broadening of post-2015 development goals to a universal agenda, and fearful that this will dilute the Millennium Development Goals' poverty focus. The Bali trade deal, meanwhile, offered slim pickings for LDCs, for instance in its failure to commit to faster action on the WTO's long-standing commitment of full duty-free, quota-free market access for LDCs.

Apart from the moral case for ensuring that the four 2015 agendas deliver for the poorest countries, there's also a hard-edged political issue at play here: the risk of a vocal backlash from the G77 group of developing countries if their discontent simmers over.

To be sure, least developed countries' interests are increasingly diverging from those of emerging economies on a range of issues, including both climate change and trade. But for that reason, it's strongly in emerging economies' interests to play up G77 solidarity wherever they can, as a way of focusing LDCs' asks on developed rather than emerging economies, and heading off pressure from LDCs for them to go further on areas like climate mitigation.

Consequently, emerging economies have every reason talk up issues that can be framed in totemic North versus South terms – from 'loss and damage' in the climate talks, to attempts to bring 'common but differentiated responsibilities' into the post-2015 agenda as a key principle.

To maximise the chances of high ambition deals across all four tracks, it will be crucial to focus on LDCs' interests and asks – not just on the usual areas like aid flows, but also in areas like developing new growth models, finding ways to help LDCs get more benefit from remittances, or renewing the principle of special and differential treatment in trade at a time when the value of their existing trade preferences has been eroded by broad-based declines in tariffs and quotas of all kinds.

The elephant in the room

Finally, there's one last issue that spills across all four of the agendas that we're looking at: the question of fair shares in a world of limits.

For all that most people in developing countries have seen their incomes rise substantially over the last two decades, the incomes of the poorest 10% of people did not rise at all in real terms between 1988 and 2008. And for all the breathless commentary about China's growth, its GDP per capita of $6,091 remains a long way short of the $38,514 here in the UK.

Turn to wealth, and the disparities are even starker: 8.4% of the world's five billion adults own 84% of the wealth, while the bottom 80% own just 6%. Risk, too, is unevenly shared: the poorer you are, the more you're exposed to more or less every risk going – food spikes, extreme weather, crime, infectious disease, conflict, sexual and gender-based violence, and so on.

But it's the proximity of environmental limits that will really change the debate about equity and fair shares between now and 2030 (the time horizon of the post-2015 agenda). We know that there's no way that all 7 billion of us can consume at western levels while keeping within environmental limits. We also know from experience that while technology can drive major improvements in resource efficiency – as for example with China's declining carbon intensity – these have to date always been more than offset by growth in overall consumption levels.

So the question of planetary boundaries is inextricably bound up with the question of who gets to consume what *within* those boundaries – and the need for fair shares of finite 'environmental space' for the world's poorer countries and people if the west is not to embark on a futile attempt to pull the ladder up after it.

Governments have spent the last two decades studiously ignoring this fact, ever since George Bush Sr.'s insistence at the first Rio summit, in 1992, that "the American way of life is not up for negotiation".

Now, as they too become more affluent, the emerging economies are also joining in the conspiracy of silence about the fact that, at global level and in particular in the world's more affluent economies, we need to consume less.

(On the contrary, most political leaders remain resolutely focused on trying to get their electorates to consume *more* – assuming that this is an effective proxy for measuring progress or wellbeing, despite the solid evidence to the contrary.)

If we are serious about aspiring to a position of global leadership, then this is the issue that will do most to shape the century ahead, and to determine whether it's a zero or non-zero sum future.

Of course, governments may well decide to try to kick this issue down the road for another fifteen years, just as they did after Rio in 1992 (and as they continue to do in, for example, their steadfast unwillingness to engage with the need to define and agree a finite global carbon budget, for fear of the discussion that would then ensue about how to share it out).

But we can't keep putting this issue off indefinitely; the point about issues of unsustainability is that either you deal with them, or they deal with you. So: will we use the four 2015 agendas to launch some serious thinking through of the scientific, institutional, and distributive implications of a world with limits?

Or will we keep quiet, sweep it under the carpet, and pass the buck to our kids – just as the political generation before us passed it to us?