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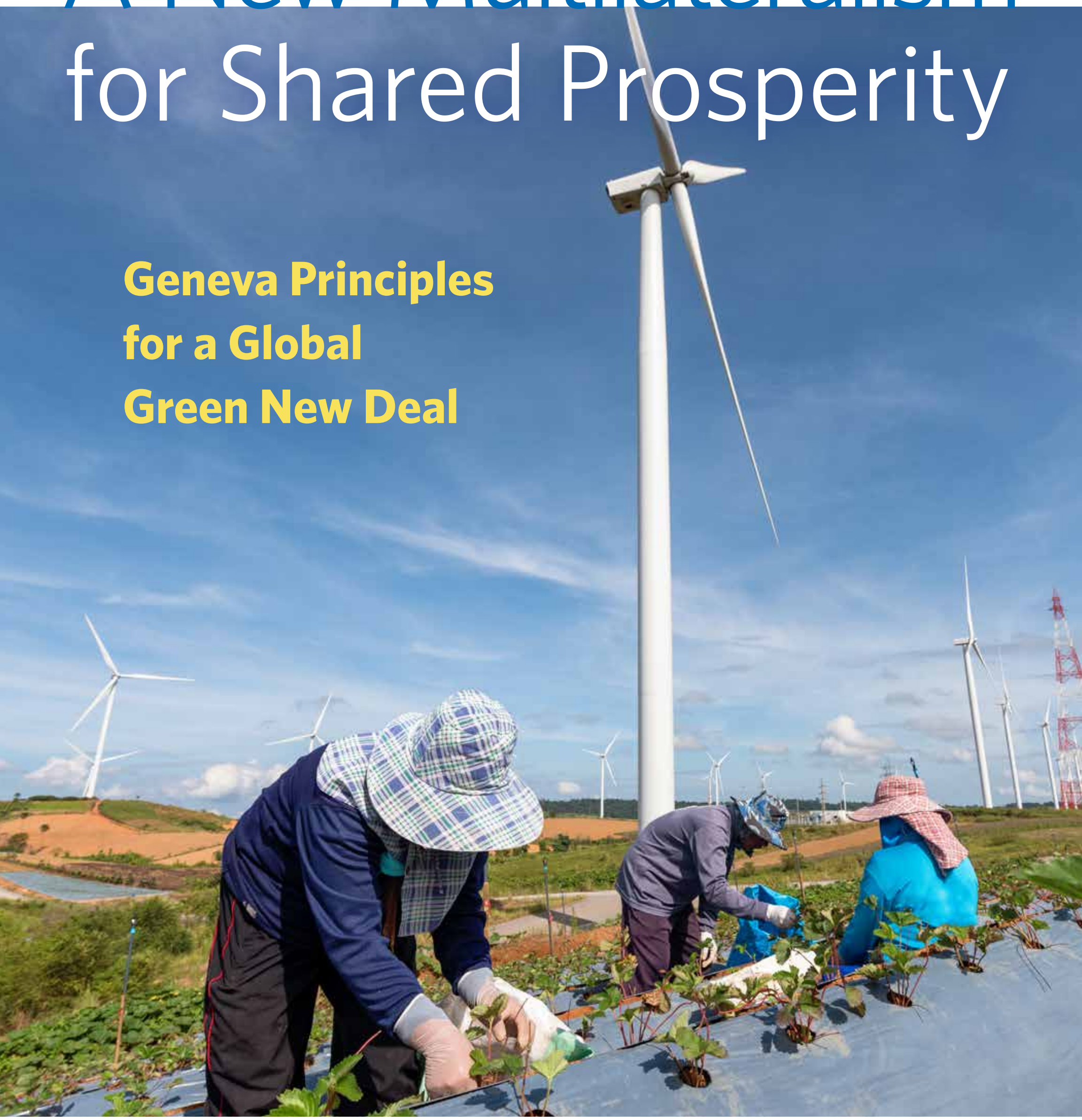
A New Multilateralism for Shared Prosperity

Geneva Principles for a Global Green New Deal



Kevin P. Gallagher
Richard Kozul-Wright

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BOSTON UNIVERSITY Global Development Policy Center

The Global Development Policy Center (GDP Center) at Boston University is a University-wide center in partnership with the Frederick S. Pardee School of Global Studies and the Vice President and Associate Provost for Research. The GDP Center's mission is to advance policy-oriented research for financial stability, human well-being, and environmental sustainability. To fulfill our mission, we conduct rigorous policy research; provide a convening place for scholars and stakeholders; engage in policy dialogue with policy-makers, civil society, and media; and offer experiential learning for Boston University students.

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Through its programme on Globalization and Development Strategies, UNCTAD contributes to the international debate on globalization and the management of its consequences for developing countries. The programme promotes policies at the national, regional and international level that are conducive to stable economic growth and sustainable development. It regularly examines the trends and prospects in the world economy, undertakes studies on the requirements for successful development strategies and on the debt problems of developing countries. It also provides technical support to developing countries in their efforts to integrate into the international financial system and to manage their external debt.

EXECUTIVE SUMMARY

We once had a version of multilateralism that permitted nations to regulate international markets and to pursue strategies for equitable prosperity and development. This system reflected the fact that leaders who believed in managed capitalism and full employment were put in charge after WWII. With their experience of the Great Depression and defeating fascism, they aimed for a value-driven and rules-based global economy.

The system was far from perfect, yet its core principles did provide a rough template for a more balanced form of prosperity in a globally interdependent world. That system began to break down in the late 1970s, when giant global banks, corporations, and their allies in government regained the reins of power that they had temporarily lost in the Great Depression and the War. Once power was recaptured, these actors rewrote the rules of the global system. The system later became an instrument for the diffusion of a neo-liberal order that has triggered crises of financial instability, inequality, and climate change.

The "Geneva Principles for a Global Green New Deal" advances an urgent research and policy agenda for a New Multilateralism that rebuilds the rules of the global economy toward goals of coordinated stability, shared prosperity, and environmental sustainability, while deliberately respecting the space for national policy sovereignty.

Crafted in a series of workshops and consultations in late 2018 and early 2019, between the conveners and stakeholders from the global policy, advocacy, and research communities, the "Geneva Principles for a Global Green New Deal" advances a critique of the current multilateral system and articulates a set of goals and principles for its reform and regeneration.

GENEVA PRINCIPLES FOR A GLOBAL GREEN NEW DEAL

Goals for Rebalancing Development:

1. A productive global economy built around full and decent employment at livable wages, for all countries
2. A just society that targets closing socio-economic gaps, within and across generations, nations, households, race and gender
3. A caring community that protects vulnerable populations and promotes economic rights
4. A participatory politics that defeats policy capture by narrow interest groups and extends the democratic principle to economic decision making
5. A sustainable future based on the mobilization of resources and policies to decarbonize growth and recover environmental health in all its dimensions

Principles for a New Multilateralism:

1. Global rules should be calibrated toward the overarching goals of social and economic stability, shared prosperity, and environmental sustainability and be protected against capture by the most powerful players
2. States share common but differentiated responsibilities in a multilateral system built to advance global public goods and protect the global commons
3. The right of states to policy space to pursue national development strategies should be enshrined in global rules
4. Global regulations should be designed both to strengthen a dynamic international division of labor and to prevent destructive unilateral economic actions that prevent other nations from realizing common goals
5. Global public institutions must be accountable to their full membership, open to a diversity of viewpoints, cognizant of new voices, and have balanced dispute resolution systems

THE RISE AND FALL OF THE MULTILATERAL SYSTEM

Multilateralism once promised a value-driven and rules-based international economic order, tasked with promoting coordinated actions to deliver shared prosperity and mitigate common risks. The initial goals of the Bretton Woods institutions created after World War II were to promote full employment, regulate capital and prevent the imported deflation and austerity. The system was intended to prevent beggar-thy-neighbor policies that could upset the stability of the global economy. It provided institutional and ideological support for governments to raise living standards of their populations, leaving policy space for sovereign states, at all levels of development, to pursue their particular national priorities.

In practice, multilateralism in the three decades after Bretton Woods never lived up to this ideal. Managed capitalism coexisted with a persistent and widening technological divide between North and South, wasteful military spending under a tense East-West divide with proxy wars crippling economic prospects in many developing regions, colonialism and lingering racial prejudice, unequal trade relations that inhibited productive diversification in many countries, and carbon-heavy growth that was heedless of the environmental cost. Yet its core principles did provide a rough template for a more balanced form of economic development in an interdependent world. The goal, as stated by Henry Morgenthau, the US Treasury Secretary at the time of Bretton Woods in 1944, was a "New Deal in international economics" based on the fundamental principle that "prosperity, like peace, is indivisible." [1]

The pursuit of multilateral principles was possible because of a particular political alignment. At the geopolitical level, there were contending systems in East and West which, each sought to demonstrate superior results for citizens. In the West, most governments of the era recognized and remembered that the earlier laissez-faire policies privileging capital above all else had led to instability, inequity, depression, mass unemployment, and, ultimately violent conflict.[2]

A new generation of political leaders from the South endeavored to break the bondages of colonialism and create new economic opportunities for their rapidly growing populations. They were also willing to challenge the rules of the multilateral game when they stymied those efforts. But, following the dislocations of the 1970s, private capital and financial elites reclaimed political power, and set about using the multilateral system to re-enthrone and universalize laissez-faire.

These elites, in both national governments and in the financial and corporate sectors, have pursued the expansion of global markets and cross-border financial flows as ends in themselves. Under the umbrella of the World Trade Organization (WTO), with the active engagement of the IMF and World Bank, and through a plethora of trade and investment treaties, they have put in place a set of enabling norms and rules that allows footloose finance and firms to move freely within and across borders and into ever expanding spaces for profit making through privatization of previously (and properly) public functions. Concomitantly, these norms and rules restrict national policies that might limit the opportunities for capital to generate larger rents. They outlaw many bona fide regulatory actions that governments could take to steer trade and investment toward broader goals and to mitigate divergence between private returns and societal costs. What is more, these norms and rules are actively enforced by a combination of market disciplines, privatized regulatory systems, and 'investor-state dispute resolution systems' (ISDS) where the interests of foreign investors carry undue weight.

Table 1: The hyperglobalized world (trillion dollars)

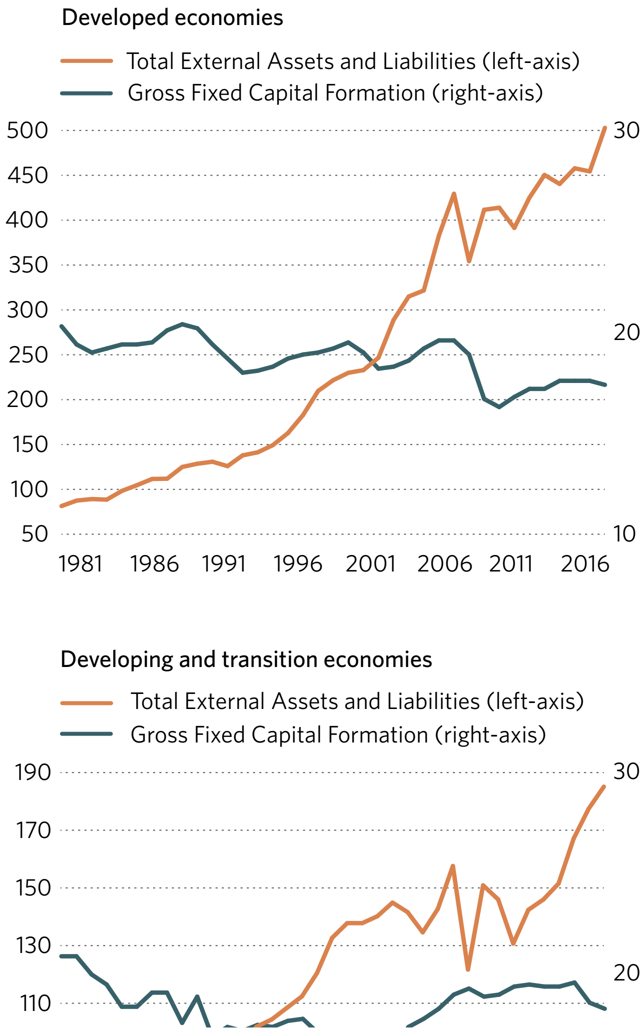
	1980	2016
GDP	11.2	76
Population (billions)	4.4	7.4
Trade (exports)	2.3	20.9
FDI stock	0.7	26
Financial assets	12	300
Debt stock*	14	198.6
Migrants (millions)	150**	250***
Carbon emissions	18kt	36kt

*Private financial corporate debt not included **Figure for 1990
***Average of 2015 and 2017
Sources: GDP: World Bank 2018a; Population: World Bank 2018b; Trade and FDI Stock: UNCTADSTAT 2018; Financial Assets: Financial Stability Board 2017; Debt Stock: Mbaye, Moreno-Badia and Chae 2018; Migrants: UN Population Division 2017; Carbon Emissions: World Bank 2018c.[3]

Today we live in a more interconnected world, where trade and foreign direct investment have grown by orders of magnitude (Table 1). Most striking, however, is the 'hyper' growth of global finance and behind this financial actors, institutions, markets and motives.

But while financialization has reigned supreme over the global economy, the big promise that this would generate a dynamic investment climate has not materialized. As Figure 1 shows, there has been a surge in financialization over the past three decades but a reduction in real investment in productive capital formation. Economic growth was both stronger and more stable in the era of multilateral managed capitalism.[4]

Figure 1: Financialization Takes Over, Investment Stalls



Moreover, as footloose private capital has moved production and investment around the globe, the bargaining power of capital has increased greatly compared to that of labor. This has allowed corporations to repress wages and working conditions in both developed and developing countries, except in those few cases where governments have actively intervened on behalf of workers. Extremes of inequality both within and between many countries have hit grotesque heights. Investment in public goods, at the global as well as the national level, has stagnated (Figure 2).[6] Growth has become dependent on punishing levels of debt and a pace of resource extraction and energy consumption that is threatening the survival of the planet itself.