

Building a Fair World Order

One of the most important outcomes of the process of Globalisation is the realisation that today's world needs a new World Order which is fair, just and equitable. In today's world which is so interdependent, problems have become complex and broad based. Their impacts are felt by all nations-- be it terrorism, climate change, energy or food security, trade liberalisation, cyber space or peace and security. The truth is that no nation by itself can tackle any of these. Are the global mechanisms of today effective enough to tackle these issues? Most of them will come under the broader rubric of Global Governance. And as with any governance, this can be effective only if the order on which it is based is sound and just.

Global Governance is not something new. Throughout history, Societies and later Westphalian states have found ways of laying down some rules of behaviour which were for the benefit of everyone. The rules naturally reflected the world order of the day. They were set by one hegemon or by a concert of powerful states. Due to this, most of the world orders created have been self-centred. The world order of the last century was set by the victors of the Second World War. To keep up the order several institutions were also created. These seemed to work reasonably well till the Cold War lasted. With the dramatic changes at the end of the last century, things began to unravel. One of the dramatic changes was the collapse of the USSR and the end of the Cold War. The more dramatic change was the process of Globalisation and the subsequent rise of emerging powers.

As Ian Bremmer points out, the world has entered a phase of geopolitical creative destruction. Both the post- World War2 and the post- Cold War orders have become outdated. In the early 1990s there was an attempt to establish a liberal world order dominated by free markets. It was also known as the Washington Consensus. This did not last long. The global financial crisis of 2008 proved the

limits of markets or more precisely how uncontrolled market forces can wreck the global economy.

Dmitri Trenin rightly points out that “life expectancy of world orders varies, but like humans, they are mortal”. Many orders were changed as a result of wars and violent events. This time around, one hopes that it would be peaceful because globalisation has created so much inter-dependence that violent changes of orders are unthinkable.

Over the last two decades, the economic power has steadily shifted towards emerging economies, particularly the BRICS countries. With this shift, the strains in the existing World Order began to be felt. That is why one of the important objectives which BRICS have taken up for themselves is to work towards a new World Order. As mandated by the five leaders, the BRICS Think-tank Council (BTTC) has completed its work on formulating a Long-term Vision Document in which Global Political and Economic Governance is one of the five pillars. It cannot be denied that the post-World War 2 structures have an unfair distribution of power hard-wired into the system. The shift in economic power has not led to a commensurate shift in political power. There are three fundamental elements to a Global order or Global Governance: these are values, norms and rules. For any order to be sustainable over a long period of time, all three aspects have to be addressed and in the right sequence. History shows us that, at times, powerful nations have imposed rules first and then justified them by subjective values. These can, at best, be only temporary solutions. Definition of values, by its very nature, is very complex. Norms and rules will follow only after there is a significant universal consensus on the values.

Multilateralism has to be the bedrock on which a fair, equitable and sustainable World Order can be built. For this, the order has also to be seen to be fair and equitable. It is true that Globalisation has changed the contours of regionalism and multilateralism in significant ways. But the reality is that sovereign Westphalian States will be the main units of multilateral diplomacy for the foreseeable future. Hence, there is need to strengthen the multilateral

approaches to Global Order and Global Governance. Over the past two decades, the world has also seen a proliferation of smaller groupings or clubs some of which are G-20, BRICS, BASIC, IBSA, SCO etc. Each of the groups is working on specific aspects of Global Governance and contributing in a significant way towards the evolution of a new global order. What is important is that different perspectives have to be taken into account for evolving a new order. The utility of each of these groupings lies in the fact that each of them brings a new perspective.

There is no doubt at all that a new world order is needed. Even most of the so called Status-quo powers agree on this. The problem arises when the discourse turns to what the new world should be. Unfortunately, here the discourse is reduced to a “West vs. the Rest” argument. This does not have to be so. In fact, this should not be the argument because if we are looking for an inclusive order, everybody has to be part of it. In today’s’ globalised world the West needs the Rest. How can you have a world order without the active participation of the emerging economies which contribute significantly to the Global GDP?

Many interpret the clamour of the emerging powers to have greater say in Global Governance as a desire to occupy the high tables. This, in a way, trivialises the issue. While participation in the discussion at the high tables is certainly essential, it is not an end in itself. What the Emerging Powers want is the recognition of new Agendas which are of critical importance to the developing countries.

The most popular terms used for an eventual fair world order are a multipolar world or a polycentric world. Whatever the term used, the essence is the inclusion and participation of many eligible players. This enables a fairer process in terms of agenda setting, decision making and also in the acceptance of the decisions by the international community.

Related to the above aspect is the question of burden sharing by the Emerging Powers which is often mentioned by the Status-quo powers. Here, it is a question of the chicken and the egg. The argument of the Status-quo powers is that

the Emerging Powers should step forward and take on more burden before demanding leadership sharing. Here, in fact, lies the contradiction. The Emerging Powers have no intention in sharing burden if it is to promote the existing order or the existing Agenda. Why would they do that if it is going to perpetuate the current inequities in the system?

Let us take the example of some of the Global Institutions. Three of them stand out as being totally anachronistic-- IMF, World Bank and the UNSC. The first two, generally referred to as the Bretton Woods Institutions (BWIs) have outdated voting powers, decision making procedures and selection processes for the Heads of the Organisations. It was after considerable efforts of BRICS that the G-20 agreed to modify the quota of shares and voting rights at the Seoul Summit in 2010. But progress on this has been stalled by the US Congress. The World Bank has not lived up to its expectations mainly because of the fact that the developing countries for which the institution was created do not have a decisive say. The combined vote share of BRICS in IMF is 11% even though they contribute to 22% of the global GDP in nominal terms and 32% in PPP terms. The collective share of BRICS in World Bank is 14%. Joseph Stiglitz brings out the deficiencies of the IMF and World Bank very clearly in his book "Globalisation and its discontents".

It is in this context that the bold initiative of BRICS to create two new institutions like the New Development Bank (NDB) and the Contingency Reserve Arrangement (CRA) attains significance. Here is an example of BRICS stepping forward for burden sharing. The NDB was a direct consequence of the decreasing availability of funds from the Multilateral Development Banks for Infrastructure projects in the developing world. Similarly, the CRA was to address the short term liquidity and balance of payments difficulties of the developing countries. Even though these have been envisaged as supplementary efforts to the World Bank and the IMF, anti-BRICS propaganda has projected these as dangerous trends to overthrow the existing order.

Nonetheless, there is one important political message in the creation of NDB and CRA. They are financial institutions and will naturally work on economic

principles to be successful; but, the fact remains that this is the first time in 200 years that a Global Institution has been created without the participation of the developed West. This, by itself, is significant. Many also see this as a wakeup call for many of the outdated institutions. There is one school of thought that says that had the IMF and World Bank changed with changing circumstances, there may not have been the need for the NDB and CRA.

The other anachronistic global institution today is the UNSC. Even if one grants the logic of the UNSC soon after the Second World War, it is totally outdated in today's reality. There is no question that it has to be made more inclusive with a greater role for the Emerging Powers.

There is a specious argument given by some that for Global bodies to be effective, they have to be as small as possible. This argument goes against the principle of legitimacy which is an essential pillar of any institution. Even a die-hard real political advocate like Henry Kissinger talks about the two aspects of global institutions namely power and legitimacy in his latest book, "World Order". Power without legitimacy will lead eventually to the unravelling of the organisation and legitimacy without power will make it ineffective. Ideally, as Langenhove says, "In all global institutions there must be three balances, namely balance of power, balance of responsibilities and balance of representation." Volker Perthes says that many confuse lack of change in an established order with stability. Orders collapse when active stakeholders feel excluded. Rule and rights should adapt to shifts in power relations while maintaining the legitimacy of the system.

Of all the Global Institutions existing today, G20 seems to be the most legitimate in terms of participation. These 20 countries contribute 85% of the global GDP. That is why BRICS countries attach great importance to this grouping and insist that it should be the premier global institution to deal with all financial and economic issues.

How outsiders perceive BRICS is also relevant, not so much for Intra-BRICS cooperation but for bringing about changes in the global order. There is no

escape from engaging with the present power centres and articulating our points of view hoping to make them see reason.

Fortunately, many in the West see BRICS in a positive light. We saw that some Western countries are interested in participating in the NDB. Among the sceptics, there are three types of reactions towards BRICS: the first group has curiosity--their question is “what is this new animal called BRICS?” The second group is suspicious about the intentions of BRICS as to how their initiatives will affect its interests. The third group expresses hostility--their argument is that since BRICS question some of the existing norms of global governance, it could be a dangerous grouping. The success of initiatives like NDB and CRA can go a long way in correcting the misconceptions of the sceptics.

Now, what are the options that BRICS have in their quest for a new world order and corresponding changes in Global Institutions? Basically there are four: the first is to conform i.e., go along with those structures which are fairly equitable; the second would be to reform, like the efforts of BRICS in bringing changes to the BWIs; the third would be to bypass i.e., ignore those norms which are loaded heavily against the developing world so long as this does not amount to violation of recognised international laws. The last would be to create new institutions-- the NDB and CRA will fall in this category and hopefully there will be more like them in the future.

There is a general feeling among the global community that BRICS as a group is ideally suited to take initiatives for a new global order. The reasons are obvious: they are spread out into all the continents and so have diverse perspectives; all of them have successfully leveraged the process of globalisation and achieved remarkable economic progress; yet they are still developing countries and have many common problems among themselves and among the developing world. They are for strengthening multilateralism, global dialogue and search for solutions in a peaceful manner without resort to force. The two important factors needed for success in multilateral diplomacy are the capabilities in agenda setting

and in consensus building. In both these, BRICS are ideally placed to achieve impressive results.

BRICS should also venture into changing the order in the economic and technical domains. So far, we have been following the standards and bench-marks created by the Western countries. The time has come to have our own templates. For eg., three of the BRICS countries (Brazil, India and China) are big producers of pharmaceutical products. It is only logical that we should set the new standards. Similarly, in many other areas we have the capacity to create bench-marks. The idea of a BRICS Rating Agency is being talked about. Connected with this is the question of the revival of some of our traditional knowledge and practices which are proving to be more effective in achieving sustainable development.

This year (2015) will be a very critical one as far as World order and Global Governance are concerned. There are three important international conferences coming up which will set new orders. The first is the 70th anniversary of the founding of the United Nations in September where the post 2015 Agenda for development is to be decided. The occasion should also address the question of reforms of UN and UNSC. The second conference will be the G20 Summit in Turkey in November where the host country wishes to include Energy and Climate Change in the Agenda. Finally, the much awaited UNFCCC will take place in Paris in December which is expected to conclude the Climate Talks. In all these three Conferences, BRICS have a great responsibility to come up with initiatives which will take care of not only their interests but also those of a vast majority of the developing and emerging world.