

THE CHANGING POLITICAL ECONOMY OF GLOBALIZATION

Multilateral Institutions and the 2030 Agenda

Background Note

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United Nations Headquarters, New York

INTRODUCTION

A surge of nationalist sentiment, uncovered in recent political processes in parts of the world, has laid bare deep cracks in the very foundations of the international systems and its two major pillars - globalization and multilateralism. At the root of this destabilization of the global institutional system have been several trends ranging from economic crises to deep-rooted imbalances that require solutions at global, regional and national levels.

This note will highlight trends in public perception towards globalization in developed and developing countries. It also elaborates on the role that the 2030 Agenda can play in addressing some of the challenges of globalization, including systemic imbalances, inequality, climate change and migration.

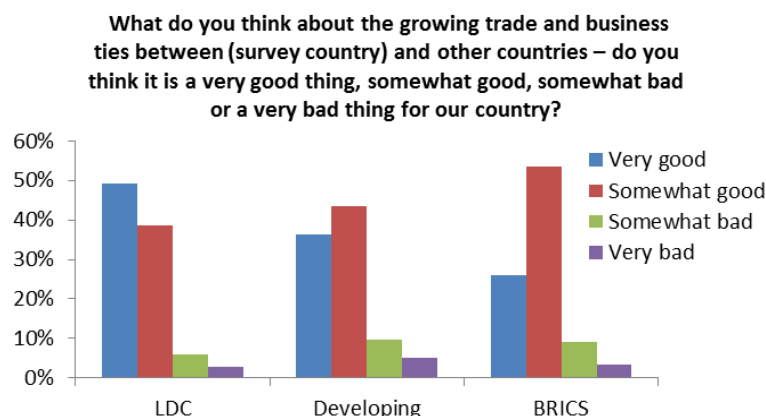
PUBLIC PERCEPTIONS TOWARDS GLOBALIZATION AND THE INTERNATIONAL SYSTEM

Globalisation is widely credited as a principal driver of global economic growth in the post-war world. While many have been benefited from this growth, others have faced the costs of economic adjustments. As some fault lines of globalisation have increasingly been uncovered, its capacity to catalyse sustainable development and human prosperity has come under growing scrutiny. Particularly following the 2008/09 financial crisis, the failures of the system have undermined public confidence in the ability of national governments and the international system to achieve sustained and inclusive sustainable economic growth, resulting in increased uncertainty about the design and benefits of a globalized economy. Continuing conflicts and political and social instability have strengthened this feeling of a lack of vision for the future of global cooperation.

Public Perceptions in developing countries

The perception of globalization by many developing countries', especially its economic impacts, has been shaped by the deep rooted imbalances embedded in the international system with regards to economic and political power. One important aspect of this perception has been trade liberalization: While developing countries have been urged to open up markets and embrace globalization, they have often faced barriers to access markets in developed countries on key exports such as primary commodities. The Asian and Latin American financial crises in the 1990s were widely seen as a result of the risks facing developing countries in a globalized economy. Despite these aspects, recent polls show that developing countries have a generally positive view towards economic globalization. A

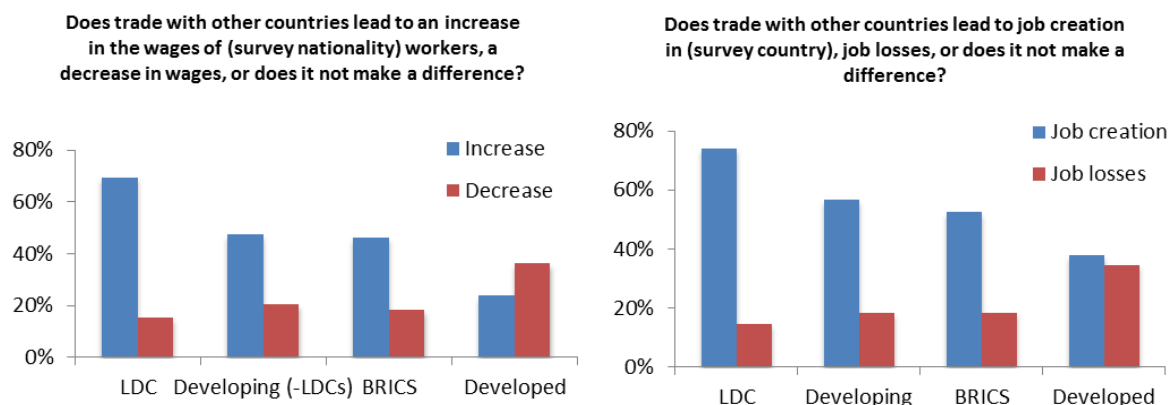
majority in a sample of 34 developing countries have expressed that they believe that increasing trade and business links between their own economy and those of other countries is a good thing, with 49% believing it will increase wages and 58% it will lead to job creation.



Source: The Pew Global Attitudes Project¹

Public Perceptions in developed countries

Protests against multilateral institutions in developed countries are not a new phenomenon: Meetings of the WTO, IMF and World Bank have been met with protests, most famously in Seattle in 1999. The motivations for protests have varied, with protestors expressing solidarity with developing countries, environmental concerns and/or disillusionment with capitalism.



Source: The Pew Global Attitudes Project¹

The Pew Global Attitudes Survey for 2014 shows that almost 80% of people in developed countries are positive towards economic globalization, when seeing it as growing business and trade ties between their country and others. However, citizens are increasingly concerned about the effects on wages and job creation, with 36% believing it will lead to decreasing wages and 35% believing it will lead to job losses. A recent poll², which questioned respondents in the US, found that 55% believed the US has lost more from globalization than it gained, while only 19% believed trade created domestic jobs. Overall, as citizens have lost faith in the power of globalization to spur economic prosperity for all, they have directed their discontent towards the institutions and individuals perceived to be promoting globalization - The recent UK vote to exit the EU, being a manifestation of this discontent.

¹ The Pew Research Center bears no responsibility for the analyses or interpretations of the data presented here.

² Dutton, S., De Pinto, J., Backus, F. and Salvanto, A., 2016, "Poll: Trump and Clinton voters on immigration, economy, trade", CBS News, 14 July 2016.

ADDRESSING NORMATIVE AND INSTITUTIONAL GAPS: THE 2030 AGENDA AND APPROACHES FOR THE FUTURE

In many instances, deeper economic integration on the global level has not been accompanied by a corresponding strengthening of the **institutional framework**, in which the global economy has been embedded. The lack of strong global governance structures has widely been identified as a major factor preventing more just and sustainable patterns of economic growth and source of significant imbalances.

With regards to **normative approaches** to systemic challenges, there has been marked progress in addressing some of the shortcomings of the global system. Amid a push for a retreat from multilateralism and international cooperation by political currents in several countries, the international community took a step towards closer cooperation by agreeing, in September 2015, to the 2030 Agenda for Sustainable Development. The Agenda and its 17 goals address many of the areas of concern for the future of humanity. It proposes solutions to key challenges of globalization in all dimensions of sustainable development and acts as a strong normative framework to guide national, regional and global policy in addressing global concerns.

Three aspects of the Agenda make it particularly suited to act as a blueprint for global cooperation for the future: (1) Its universality, (2) its core aim of fostering sustainability across all dimensions and (3) its focus on people. The **universality** of the agenda makes it a truly global instrument to address global challenges, underpinning its important normative role in fostering change. All countries share in the responsibility of an interconnected world, as all countries, developed and developing alike, have committed to implement the Sustainable Development Goals for the benefit of humanity. The universality of the 2030 Agenda is a reflection of the conviction of the international community that global crises have to be addressed jointly.

The concept of **sustainability** in the 2030 Agenda extends to more than environmental aspects, to include all dimensions of sustainable development in the economic, social and environmental spheres. Integrating the three dimensions to create win-win outcomes across all dimensions and minimize negative externalities lies at the core of the Agenda. Policy integration represents a key instrument for the comprehensive implementation of the agenda. The approach is rooted in the belief that unsound practices and institutional arrangements in the economic, social and environmental spheres are detrimental to the prosperity of present and future generations. Moreover, an international system that is not **accountable** to the citizens of the world is neither fair nor sustainable and will fall victim to the very imbalances and inequalities that it perpetuates. Accountability for commitments made on behalf of global citizens therefore needs to be front and center of all discussions on updating the global framework of norms and institutional mechanisms.

In light of the need to find global approaches to global challenges, the 2030 Agenda may be considered a viable answer for addressing a range of challenges associated with globalization: One of the largest side effects of globalization has been **environmental degradation and climate change**. In order to address these issues, Target 8.4 of the Agenda 2030 highlights the need to improve global resource efficiency in consumption and production, as well as to decouple economic growth from environmental degradation. Global trade and investment has often been concentrated in sectors that have been at the core of socially and environmentally unsustainable practices, including in primary resource extraction, agriculture and waste management. Additionally, globalization of business and trade has also, in some sectors, fueled a race to the bottom with regards to social policies. In order to reduce socially unacceptable practices in these sectors, Target 8.8 of the Agenda pledges to protect labour rights and promote safe and secure working environments for all workers.

One of the key challenges of globalization has been the adverse trend in **inequality** across the globe. Inequalities within countries have seen marked increases in most regions across the world, except in Latin America, where inequalities remain elevated. While inequalities between countries have decreased, they continue to remain high. In SDG10, the international community commits to reducing inequalities within and among countries. Target 10.5 calls for the improvement of regulation and monitoring of global financial markets and institutions and for the strengthening of the implementation of such regulations. As a means of tackling the shortcomings associated with a global system that is not reflective of global economic realities, Target 10.6 pledges to ensure enhanced representation for developing countries in decision-making in global international economic and financial institutions.

SDG10 also addresses the issue of **international migration** – a vital issue, which in some countries has been at the center of public discourse and a push for isolationism, fueled by populist sentiments that have made migrants scapegoats for worsening economic realities. The New York Declaration for Refugees and Migrants adopted by Member States in September 2016 further addresses challenges relating to human migration and mobility, seeking to safeguard their human rights and giving rise to a campaign to address anti-immigration sentiment.

While there is the understanding that **economic growth** cannot be the only goal of development policy, it is essential for poverty eradication and the achievement of prosperity for current and future generations. In this vein, the 2030 Agenda stresses the need to sustain at least 7 per cent GDP growth per annum in the least developed countries. To close the substantial infrastructure gap existing in many countries, the SDGs seek to foster investment in **infrastructure** that can increase productive capacity in these countries. Specifically, Target 9.1 calls on the international community to develop quality, reliable, sustainable and resilient infrastructure, to support economic development and human well-being. Another global agreement, the Addis Ababa Action Agenda for Financing for Development pledges financial resources to support sustainable development.

KEY POLICY QUESTIONS

Despite having contributed to strong economic growth across the world, globalization has not only benefited individuals and countries, but also exposed some to costs. Resting mostly on one pillar, the global market economy, globalization has not universally produced sustainable and equal outcomes for all. The institutional and normative arrangements at the global level have sometimes fallen short to manage the risks of globalization, particularly during the 2008/09 financial crisis. The 2030 Agenda and its goals and targets can fill some of the gaps in the normative and institutional framework underpinning globalization. If implemented at all levels, the 2030 Agenda can facilitate the transition from the current model towards economically, environmentally and socially more integrated and sustainable models of development. Key questions that policy makers and the international community need to address include:

- What normative role can the United Nations system and the 2030 Agenda play in recalibrating the global economic system and strengthen accountability of the actors involved in it?
- What new approaches are needed for governing globalisation and for addressing some of the systemic imbalances of the global economy?
- What actions are needed at the global, national and regional levels to diminish nationalist and protectionist tendencies and leverage international cooperation for the benefit of all?
- How might the world's vast financial resources be used efficiently in advancing sustainable development, particularly in addressing the financing needs of developing countries?