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## **Mehmet Ali Birand, Journalist and Writer, CNN Türk**

We have listened to the stories of emerging powers. Now, let us get to the big boys, the Americans. Stuart Eizenstat, the question coming to my mind is; do the emerging powers get on your nerves politically?

## **Stuart Eizenstat**

No. My theme is this; that we are genuinely in a historical shift of power unlike that the world has ever seen, in its rapidity, in its depth and in its comprehensiveness. It is a shift in economic power; when economic power shifts, political power does so as well. There is a shift from the West to the East and to the South. If the 20<sup>th</sup> century was the transatlantic American century, the 21<sup>st</sup> will almost certainly be the Pacific and Southern century.

There is a difference, if one goes back and looks at the emergence of powers over time. There were the Dutch, then the Spanish and the British after Trafalgar, the Germans and the Americans and the Soviet Union. Their rises were largely uncontested, when one beat the other. What we have now is a multiplicity of powers coming to the scene at the same time, creating a uniquely multi polar world. This therefore complicated global governance.

In the 1970s, when the G7 was first created, the G7 countries had 62% of global GDP. As one went into the 1990s, with the fall of the Soviet Union, that actually increased to 66%. This is where the drama and the rapidity come in. In 1999, barely 10 years ago, emerging and developing countries had about 35% of global GDP. In 2009, 10 years later, they had almost 50%. Indeed, in 2009, coming out of the great recession, emerging and developing countries have come out much faster and much healthier than the mature democracies. Almost 50% of global GDP came from emerging and developing countries in 2009. This is absolutely unique.

In terms of our population, the West is an ageing set of societies. Emerging countries have 30% of the world's population today. Within 25 years, that will be 50%. Therefore they are demanding and rightly so, a greater role in global governance. However, the question is, can we create mechanisms in which this multiplicity of powers which has suddenly come onto the scene are accommodated? Can this be done in ways that make governance possible?

All the major challenges that we face: climate change, nuclear proliferation, combating terrorism, economic growth in jobs, all require collective action to solve. However, the more players there are, the more difficult it is to have governing structures that create mechanisms to make decisions. We are really at a historic watershed. The question is; will the greater influence that developing countries rightly demand, come along with the capacity to create consensus between developed and developing countries.

There is one other feature that is very important to recognise in this new era in which we live. It is not just the shift, or as the Vice Minister said, the diffusion of power. It is the integration, through globalisation, of a common fate. We are now tightly integrated as a world economy. Supply chains stretch throughout the world; I am on the UPS Board and we deal with supply chains. The iPhone is made in seven different countries. There is no product of any consequence that is any more American, European, Chinese, Indian, or from the Maghreb. It is a world product. There is that degree of commercial integration, the multi national corporate sector is highly integrated and highly efficient. There, the corporate governance works, because it has to work for products to work.



The question is; at the political level, can we begin to bring the same degree of efficiency? We are in a very different world than that of the US versus the Soviet Union. We are not in a world in which the US is against China. Indeed, we are mutually dependent and in some respects, like Siamese twins, who are joined at the hip even if we do not want to be. These newly emerging powers do not want to be any more dominated by China than they do by the United States.

Let me give you personal examples of where progress has been made in global governance and where challenges persist. Regarding progress, the World Trade Organisation (WTO) is perhaps the only major international organisation with a binding dispute mechanism. During the Clinton administration, which I participated in, there was China's accession to the WTO and the most favoured nation agreement we were able to get through congress. I believe that this was vitally important to the integration of China in a rules based system. The US brings cases; cases are brought against us. We win some; we lose some. Brazil sues us; small countries can sue us, we can sue China. We are all bound by those decisions and they are honoured to the tee.

It is very interesting; you are quite right about sovereignty. On the sovereignty issue, we are allergic. Yet, as Deputy Secretary of the Treasury, we participated twice in a situation where we lost a case to the European Union on our tax code, the argument being that it was an illegal export subsidy. There is nothing more sovereign than your own tax system. However, without a murmur, the most senior members of congress amended the export subsidy provision twice, so that it was WTO consistent.

A second example of inclusion and progress was the move in London under the Bush administration in 2008 from a G7 world to a G20 world. That was not just in name only; it was tested in a deep crisis at Pittsburgh in the early part of the Obama administration. The G20 countries came together and agreed that we were near a global meltdown and that we needed simultaneous stimulus packages. China's stimulus package was vitally important in preventing a global meltdown. The system met an early test.

Another example of progress is the UN Security Council, with the sanctions against Iran. One could argue whether the sanctions are effective or not; that is a different story. There have been four rounds of UN sanctions, the most recent being of course this year. China and Russia and a vast majority of the overall Security Council, as well as all the permanent members, agreed. Yes, they were deluded in the instance of China and Russia, but they were meaningful nevertheless. They sent an important signal that Iran had violated previous UN Security Council resolutions on Iranian enrichment.

Let me conclude with areas where we still have gaps, which are major gaps, in which I was again directly involved. I headed a US delegation to the Kyoto Protocols. Climate change is a global issue. No one country can solve it. At Kyoto, we were faced with China, Russia and a G77 phalanx, like it was the old days. The argument was; you in the West created this problem and you solve it. We are just at the beginning of our industrialisation stage; you cannot ask us to sacrifice. You are the ones that need to sacrifice.

We only asked for a reduction in the slope of emissions increases and that was not acceptable neither. The only thing we came up with is what we call the Clean Development Mechanism. This is where a company in a developed country can get a credit against its allowance if it does a clean energy project in India or wherever. In Copenhagen, 12 years later, it was not better. Probably, that was our fault, because we came with the emperor having no clothes, with no congressional legislation.

The Uruguay round is another example of the need for a consensus rule, which is; does it work? The Doha round has been nine years in the making. I was at the conclusion of the Uruguay round; there, the US and the EU could go off into a corner, make an agreement and impose it on the world. That does not work anymore. Okay, so we are now inclusive; it has now taken nine years and we are still not any closer to a Doha agreement, because of the consensus rule.

We also need to have rules to prevent technology transfers. We need to make sure that mature countries and emerging countries do not favour their own national champions in government procurement. We need to end tied aid, in which loans and subsidies can be given to developing countries to tie up their resources.

I will conclude in this fashion. In Seoul, in a month, we will be facing a supreme test of whether this inclusion in the G20 can work on a more difficult issue than what we faced last year with the global recession. That is, can we avoid a currency war? Can we have a system in which countries play by an accepted set of rules and avoid a beggar their neighbour policy which will wreck the global economy? I believe that we can, because we are so integrated. I am positive; I think that we are making enormous progress in a short period of time, in incorporating these newly emerging powers that have come so swiftly onto the world scene.