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First of all, I think it is a superb backdrop in respect of the whole of the canvas that one has to try and get one's head around when dealing with issues of global governance, and I liked particularly your reference to the core point, that the reason we are concerned about global governance is that we are confronted with a range of risks and vulnerabilities which are incapable of being addressed adequately at the national level. We do not have a structured paradigm today that enables us to develop a core concept of what global governance is. It is a remarkably amorphous concept and tends to exist in the mind of the speaker or listener in every debate around this issue, whether this debate is taking place in a graduate seminar, in the Security Council, in Durban or anywhere else, including this room.

The real challenge, it seems to me, is to say that the only reason that we need governance at all is to enable humans to live in comparative harmony with one another in society. That is why we need governance, and if we were self organising, non-linear adaptive systems, we would not need any forms of governance at all, and the system would work extremely well without any external constraints, but unfortunately that is not how things work. The reality of our human existence, and that is probably due to our biological origins, is that we are competitive, because that is historically how our gene pools were in fact established effectively and enabled the survival of the species. We collaborate frequently, usually on the basis of some form of interest or affiliation, so we collaborate more easily with our families that we do with people who are not part of our families, and with people who are part of our immediate communities more easily than we collaborate with people outside of our immediate communities.

Sometimes we conflict, and the whole purpose of governance at the end of the day, and the whole purpose of political systems, is simply to put in place normative reference points that enable humans individually, and societies or communities collectively, to coexist in ways that minimise the risk of conflict, optimise the degree of collaboration or cooperation, and contain competition in a constructive space that does not spill over into conflict.

Implicit in what I have said is that that is much easier on the micro-community level, on the level where everyone understands what everyone else's motivations are, what everyone else's interests are and what rules they will play by, and if I can anticipate what everyone around me is likely to do, I can play chess; it is relatively easy. I am taking risks on a much larger scale in respect of everything I do if I cannot anticipate that, and of course that is what business is all about at the end of the day; it is seizing a symmetric opportunity in the context of uncertainty.

Therefore, this balance between cooperation and competition while seeking to contain it at sub-conflictual levels is the essence of what we try to do at all levels of governance. I agree completely with Stewart's definition of what global governance is all about; it is fundamentally about transcending the national boundary, which is the paradigm that we still have for democratic governance, where necessary in order to grapple with risks or threats which are larger and essentially exogenous to the span of control of the nation state in respect of the nature of the particular issue. The list of these is as long as your arm; broadly speaking, it seems to me that global governance should not seek to intrude into spaces where that prerequisite does not exist. You are not trying to have global governance to displace community or national governance; you are trying to add it on in order to be able to address challenge on a scale that cannot be easier to address at levels that are easier to manage.

What we have done is not very smart. The Swedish Academy of Sciences in March last year began a study which was completed in March this year, and its purpose was to identify the range of international instruments that organised international behaviour in different ways, whether treaties, agreements or other structures, all of them multilateral, because we are not talking about bilateral agreements. They came up with a number in excess of 158,000. 90% of these had been concluded since 1945. The mere fact that none of us know what is in these 158,000 agreements we are notionally or in some other fashion bound by is in itself an illustration of the dysfunction of the approaches we are taking in this respect. That causes one to try to return to first principles in terms of trying to understand why we need



certain forms of global governance today and what the nature of those might be, because that is the only way we can, to take your three points, take stock of the current state, think about how rising and emerging powers are likely to act, and see what forms of leadership we might see emerging.

Let us look at what has happened in the world in the last 20 years, and that is normally what we capture under rubric of globalisation, and globalisation has had a remarkable series of divergent consequences. The establishment paradigm that has existed in various forms since the Peace of Westphalia has been the creation of national states, entrenched as a global paradigm since roughly the middle of the 19<sup>th</sup> century since empires began to fragment on a significant scale after 1848 until the decolonisation movement in the aftermath of 1945. Many of these states are not nation states in the true sense of the word; nobody in their right mind would say Belgium, Switzerland or many states on the African continent are nation states, but nonetheless they are national states in the sense that they qualify for membership of the UN and other multilateral institutions.

Once we entered the 1990s, the Wall had come down in Germany, then the Soviet Union imploded and Francis Fukuyama decided to declare the end of history in a Hegelian sense, not trivialising the observation. Once that occurred, the operational Western paradigm became the notion that liberal markets and liberal democracy were the defining elements of the rest of history. The inevitability of the spread of liberal democracy and the expansion of free markets became a paradigm that was widely accepted. There was a certain amount of push-back from Southeast Asia in particular until roughly 1997, but in the course of 1997-1998, with the Asian Crisis followed by the Emerging Markets Crisis, the alternative (Asian) model seemed to slip away from the centre of discussion about how political and economic systems should be ordered.

Broadly speaking, from that point until the crash that began with the collapse of the subprime market in 2007, culminating in the collapse of Lehman Brothers toward the end of 2008, the underlying paradigm was globalisation; it was eliminating any constraints on scale, seeking to operate on the freest possible basis across the largest possible geographies with the greatest amount of scale plausible, and nobody in business schools, and relatively few people in national parliaments or schools of international studies would have argued strongly against that proposition over that period. There were plenty of qualifiers, but not much significant opposition to the proposition.

What did we do in the consequence? Firstly, we lifted 1.5-2 billion people out of poverty, and what began in 1979 in China and what happened 18 years later in India, in terms of government getting out of the way of private sector, unleashed on a global scale in the developing world new opportunity for human advancement unprecedented in history. However, in the process, we created levels of complexity and connectivity in respect of economic, social, and political systems that completely transcend our ability to comprehend them and hence to be able to model or manage them. We have engendered levels of complexity in respect of the world at large, that human minds have absolutely no ability to comprehend.

What I think one has to understand when we start connecting a lot of things up in significant ways, is that an arithmetic increase in the number of elements in a system produces a geometric increase in the number of links and an exponential increase in the number of patterns that emerge; and just to scare you a little, ten elements give you 45 links, but they give you 35.184 billion potential patterns. The terribly disappointing thing about this is that your working memory is seven plus or minus two alphanumeric digits. Nobody in this room or in the world has ever been measured to be capable of recalling, in terms of their short term memory, more than nine random combinations of numbers and letters. Your ability to process relational variables, things in relation to one another, is almost certainly limited to three. There is a tiny percentage of people, including a number of chess grand masters, who have actually played up to four variations.

Therefore, when we create enormous levels of complexity, we condemn ourselves to an inability to understand them, or manage them. That is the underlying truth of the challenge we confront at this particular point in time. The question now becomes, while we have created this extraordinary level of complexity, we have created a whole series of vulnerabilities which are now endemic in the environments which we have to manage. We have a much better, but still incomplete, understanding of the complexities of the complex adaptive eco-systems in which we are embedded as a species, and of the even more complex, in the sense of uncertainty, socioeconomic systems we have created on a



global scale. That is the challenge. That is what global governance has to get its head around, and it is an impossible task on the level I have just described.

Therefore, you have to be able to reduce it to a level where you might be able to contemplate how you might be able to address these particular challenges, because in the abstract, described as I have just described them, they are beyond human capability. Unfortunately, unlike the digital cloud, we cannot be connected together in such ways that our collective human intelligence is somehow capable of extraordinary insights that individual intelligences are not. I do not mean to say there is no wisdom in crowds; there is some wisdom in crowds under certain circumstances, but you cannot wire human brains together to create an enormously complex management system.

This complexity is exacerbated by the fact that there has been a fundamental structural shift in the balance of geo-economic power, and derivatively geopolitical power in the world. Everyone who knows the history of the world knows that it was only in 1820 that, for the first time, Asia did not have more than 50% of global GDP, and the reason was the early stages of the Western Industrial Revolution, which transformed the balance of power and provided the engine for growth in the last 190 years. However, the underlying truth is that the world at that point was not tremendously tightly connected, and as a consequence of that, none of those multiplicative effects that we were talking about applied in the 15<sup>th</sup>, the 17<sup>th</sup>, the 18<sup>th</sup> or the 19<sup>th</sup> centuries. They are very much a function of the period of history through which we are now living, and we do not have the instruments to be able to address them successfully.

Therefore, our core challenge is that we have global institutions which have no capability of addressing these challenges in a dynamic manner, and as a consequence, they do what global institutions are good at; they form committees, and they have preliminary committees to prepare the discussion for the committees. The G20 discussion this morning was absolutely charming: the logic for keeping the G20 finance ministers is to prepare the agenda for the G20 summit, and the logic for having the vice-ministers assembled in the same configuration is so that you can have more people preparing in appropriate ways. You create an institutional structure to serve a dysfunctional instrument, because no one believes that the G20 is currently a successful operational framework. Do not get me wrong; I am not opposed to the G20. I am merely suggesting what a natural institutional response is under these circumstances, and that is how we end up with 158,000 international agreements.

This is not the way forward. It is not the solution in terms of the challenge. What is it? Dani Rodrik has come up with an interesting idea, and I mention it because it swims against the current. He suggests that we have created scale in the context of globalisation, which he calls hyperglobalisation, which he argues is destructive of democratic accountability at the nation state level. He therefore argues that we need to step back significantly in most areas of economic hyperglobalisation, as he calls it. He does not argue that in areas that could lead to a 'tragedy of the commons', climate, potentially pandemic etc., that we can manage anything at the national level, but he says that we have created dysfunctional processes by moving beyond the tolerable limits of what we can manage. This is worth thinking about; I am not advocating it, but it is worth seriously thinking about, because we have certainly exceeded our capacity to address these challenges in a substantive way.

I will close now by way of Stewart's last two questions. The backdrop is three events that have caused concern, and in some circles shock, in the newly [re-]emerging markets, pre-eminently in the BRICS and Asia: firstly, the misjudgements made by the US in Iraq, and the resultant tensions in the area between the Gulf and Central Asia, secondly, the sense in much of the developing world that the US was not able to manage the effects of Hurricane Katrina in its own back yard; and thirdly, and most importantly, the sense that Wall Street was responsible for the global financial crisis. I am deliberately casting each one of those statements in a perceptual, not an analytical, mode, because I am describing how I think people perceive the . This does not suggest that there is much enthusiasm to adopt the normative frameworks that have been developed in the Western paradigm over the past 30 years.

I think these Western paradigms of global governance, are going to be challenged. I think they are increasingly being challenged both intellectually and a philosophically. We have yet not reached the point, outside the G20, and specifically the dispute between China and the US around Renminbi revaluation and the effects of the second round of QE2 in emerging markets, where there has been a confrontation of opposing paradigms, but I think it is unlikely that we will see the sort of deferential respect for U.S. views that we would have taken for granted 15 years ago. This reflects a rising sense of self-confidence in the Asian space and other emerging markets. Even Africans from unsuccessful



countries are becoming more outspoken about what they perceive to be the weaknesses and inadequacies of the Western model and the failings of the West.

This suggests an emotional tide, premised in part on misrepresentation or misperception, and in part on an accurate appreciation of reality. I don't think one can project the normative paradigms we have relied on for the last 30 years into the next 30 years. Where would the leadership needed to craft a new paradigm of global governance, going to come from? I don't think it will emerge out of the present process. I think that process is likely to take us to the brink of disaster, and I am not saying that to provoke doom and gloom. The truth is that the only time the G20 functioned really effectively was in April of 2009, six months after the collapse of Lehman Brothers. At the G20 Summit in London, with the entire financial system about to crumble around us, the leaders were able to stand together, with their backs against the wall, and agree on a common position. Looking at what was represented in the most elegant manner possible by Jean-David at what came out of the EU Council meeting, you have a similar circumstance.

In the face of crisis, people are usually able to subordinate their immediate concerns and reach an agreement. The difficulty is that, if the pact is not normatively anchored, and is not related to the achievement of tangible, measurable advantages, it disappears once the urgency of the crisis is seen to have receded. Therefore, it seems to me that we are going to face one of two alternatives.

One possibility is that we shall hit the wall with a much bigger bang than we have had already, due probably to some combination of financial and social disturbances, associated with dangerous inflection points in respect of our "planetary boundaries". These are the uncertain limits that we face as humans embedded in a planetary ecosystem. Our activities, now that we have grown to 7 billion, and manufacture, consume and dispose of waste, on an unprecedented scale, are leading to perturbation of the climate, acidification of the oceans, destruction of fresh water ecosystems and biogeochemical loading. Reaching the tipping point of some combination of these could cause a major shock and force a major realignment in our thinking; think of the effects of the Second World War; think of what was achieved in 1815 in this city after the Napoleonic Wars; think of the attempts made in Versailles in the aftermath of the First World War. Think of the period leading up to 1979 in China after the disasters wreaked in the 12 years prior to that.

The other possibility is that we develop a greater sense of humility, stop imagining that we know all the answers and we can go back to business as usual, start developing an appropriate sense of scale, learn to think across disciplinary boundaries, and become more respectful of the different values and normative systems of other major actors in our shared world, allowing them an opportunity of contributing meaningfully to the debate, and actively encouraging them to participate responsibly in creating a more inclusive and sustainable global system.

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Thank you for that very provocative presentation.