

New Narratives:

2018 VISION20-Brookings Blue Paper

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‘Visioning the Future’ – A Call from the V20-Brookings

Humanity is at an economic and political crossroads. The current wave of globalization started in the late 1970s and has generated technological progress, deep interdependence, and economic growth and prosperity. Yet, globalization and economic growth have also led to deep social cleavages and polarization that many domestic political systems (including the United States) have struggled to mediate. The limited layer of commonly agreed upon global governance architecture is proving inadequate to deal with systemic risks and tensions. It is likewise proving unable to perform the role of fair referee among very different political systems.

At the same time, global inter-connectedness is also proving too much for many citizens and countries to accept as legitimate. In many countries, angry citizens feel a sense of loss. They see both globalization and global rules as threats to democracy and social well-being. Globalization and domestic governance are increasingly locked in a vicious cycle of mutually-disrupting interactions that stem from the accumulation of inequalities, social dislocation, and perceived threats to core identities. Global leadership from the G20 is needed to ‘Vision the Future’ of social cohesion, inclusive economies and depolarized politics.

It is essential for all members of the international community to realize the seriousness of the moment and rally around a common resolution and identifiable practical actions with the potential to offer clusters of hope.

The process of navigating immediate crises and generating new ideas and blueprints must be done in a more inclusive and participatory way, both at the national and global levels. All willing states and organizations should initiate global multi-stakeholder movements to propose solutions that target the tensions generated by globalization and domestic governance to ensure a better distribution of economic benefits within and between countries. The future goal for these visioning efforts is clear: a global order and domestic politics that is perceived by citizens to be fair.

We believe these steps will be critical:

- Focus on effective governance that generates outcomes in the public interest. Ensure that the G20 and global governance support the delivery of real economic, social, and environmental progress at the domestic level. Focus on national governability.

- Revitalize concrete and useful multilateralism that enables dialogue among meta-narratives of developed and developing countries, but also protects smaller countries. Multilateralism is the only way to work together and defuse conflict.
- Ensure that think tanks and other engagement groups are open and inclusive of many voices.
- Urgently raise public consciousness of today's risks in many countries and at the global level. This is a time of dangerous interaction between social polarization and growing global fragmentation. It is not a moment for business as usual approaches. We must raise awareness and activate a search for 'positive triggers' that can defuse the growing tensions.
- Mobilize a broad inclusive movement for 'visioning a better human future' which provides a message of commitment and shows an understanding of risks and the need for domestic and global commitments.

Recommendations for the G20 from the V20-Brookings

Our 'Visioning the Future' Project focuses on defining the future by building a new blueprint of values and organizing principles for the global system.

'Visioning the Future' calls for a new articulation of relationships between global, national, and local levels. We need a new inclusive and socially positive vision of a global order that can give hope to all and counter the race to the exits from current globalization. We need to avoid the rush towards 19th century-type nationalistic solutions that have failed humanity in the past.

The G20 and the UN should encourage the formation of an orchestrated multi-level search for new set of commonly agreed organizing principles. We need a set of powerful catalysts. The proposals should show an understanding of the risks involved and seek to break vicious cycles.

In the short-term, we believe that the G20 needs to develop small-scale 'institutional triggers' that can help nudge this new vision forward. We look to the G20, and especially the current G20 host, Argentina, to advance at least 'small-ball' G20 progress, notwithstanding the backdrop of highly nationalist politics. We recommend that the G20 call for the following:

1. **A "Global Trade for Growth" Commission.** Such a Commission could focus on multilateral measures for increasing "trade for growth" rather than focusing on "free trade", or new trade agreements. Such a proposal, we anticipate, might be a way to come up with some trade initiatives that avoid the current ideological divide. We anticipate that this a proposal that the host, Argentina, should be able to grab and move forward on for the Summit.
2. **A Roadmap on Trade Reform for the key WTO institution.** The V20 calls for an Experts' Panel on needed WTO reforms. This Panel should acknowledge that progress may have to be done on a plurilateral basis only, accepting reform pathways that side step individual member vetoes. The Panel should report back within a year.
3. **A Task Force to examine new multilateral policy initiatives.** The Task Force will presume for the immediate future 'multilateralism without the U.S.', starting with the Paris Climate Change agreement.
4. **A 'Social Cohesion' Eminent Persons Group.** The Eminent Persons Group would be mandated to propose critical 'social cohesion' measures that would ameliorate the social impact of globalization and the negative consequences of tight interdependence.

The Immediate Moment

The immediate challenges that face the G20 are:

- The internationally agreed trade regime is at risk of being unraveled.
- The financial regulatory regime is once again vulnerable to systemic risk.
- The climate change commitments appear inadequate to restrain the rise in average temperature well below the 2-degree Celsius mark. Additionally, UN has warned that more serious action is required by 2020. And, the Green Fund has secured only \$3.5B (only 3.5 percent of the commitments made for 2020).
- There is growing polarization of domestic societies and politics and growing distrust at the global level.

At the final gathering of the Argentine T20 in Buenos Aires in September, the V20 team was struck by what appeared to be a ‘three-way dissonance’ at the gathering. This dissonance seems emblematic of the current moment in global governance:

- Inside the T20 gathering, we could ‘feel’ the palpable positive momentum of new ideas, new coalitions, and sheer human progress around the spirit of the UN Sustainable Development Goals, the Paris Climate Change Agreement, and from the Berlin Global Solutions Summit in May. This momentum seemed to envisage a more inclusive and forward-looking global governance.
- In the streets outside the T20 events, there were clear signs of the gathering economic crisis in Argentina. The political and economic events belied a growing social volcano beneath the apparent calm political surface with risks of domestic political disruptions in the months ahead. The streets showed a clash between global market volatility and social tensions in the wake of past poor economic governance and consequentially an unsustainable public debt in the present.
- Yet, everyone was also aware of the concurrent major assault by the current U.S. Administration on many multilateral institutions built since 1945 and generally led by the United States. This assault is undermining US-led political alliances and raising dangerous trade tensions, including, in particular, an increasingly bitter US-China trade confrontation.

We believe that strengthening multilateralism is the necessary global response to these challenges. As President Macron argued in his speech delivered at the UN General Assembly:

But the challenge today, for our generation, is to rebuild that multilateralism. It is to explain that today, in the current state of the world, there is nothing more effective than multilateralism. Why? Because all our challenges are global, such as terrorism, migration, global warming and regulation of the digital sector. All these issues can only be addressed globally, and multilaterally. Each time we consent to circumvent multilateralism, we hand victory to the law of the strongest.

Annex

VISION20-Brookings Sessions

Workshop on Social Cohesion
April 2018, Washington DC

Panel on Visioning the Future
September 2018, Buenos Aires

Takeaways from the V20-Brookings Workshop on Social Cohesion, April 18, 2018

The V20-Brookings “Workshop on Social Cohesion” was convened at Brookings Institution in Washington DC. The workshop agenda and list of participants are available on the VISION20 Initiative’s website www.thevision20.org

The overarching theme of the Argentine presidency of the G20 is to prioritize fair, inclusive and sustainable development in all G20 member countries and in the global economy in particular. This theme is against the background of rising public concerns about whether the global economy serves the many or the few. This backlash against the perceived social impact of globalization creates a tense political moment for G20 leaders who now find themselves looked to as stewards of the global economy. The rise of domestic political concerns comes at the same time as there is a growing awareness of geopolitical tensions and competition, especially between the United States and China.

Without social cohesion, there will not be a stable economy. And without better geopolitical risk management, there will not be a stable global community

These are the fundamental challenges facing G20 leaders this year that were explored and debated at the Brookings-V20 Workshop. The fact that there was a strong focus on geopolitical conflicts was indeed surprising in the context of the primary focus on domestic political and social challenges. The main take-away from the Workshop is that G20 leaders need to find informal ways among themselves to focus on and work through these challenges.

The chief challenge for the G20 is to strengthen linkages of international economic cooperation directly to geopolitical security competition, extending the reach and responsibility of the G20 leaders’ summits

There is a new opportunity to extend the vision of the G20 internally within countries by having leaders compare experiences and strategies for achieving systemic sustainability that integrates social, political, environmental and economic approaches to sustainability through greater policy coherence, innovation and commitment. There is a growing awareness that standard economic policy instruments and conventional macroeconomic policy practice will not suffice.

Economic tools and templates alone will not create uniform improvement across the economy, society or polity. To continue to rely primarily on them will only increase domestic political disturbance.

Technocratic solutions are not adequate; and technical discourse is not appropriate for communicating with concerned citizens. New values, new discourses, and new politics are vital now to connect strongly with peoples' primary concerns.

What is at stake is restoring public confidence in markets and trust in the capacity of governments to deliver social outcomes that are fair, inclusive and politically sustainable. This is a global political problem that requires national and global, public and private leadership.

Brave and innovative leadership is needed to transcend the political binary between left and right, to bridge social divides and to defuse polarities

Long-term strategic visioning of better futures for all people is a political instrument for lifting peoples' time horizons above the current malaise to a more hopeful trajectory for society as a whole. Visioning the future is largely a domestic endeavor involving social engagement, articulation of alternative scenarios, national decision-making, internal social mobilization and continuous political prioritization.

Nonetheless, the fact is that all member states of the global community have participated in the formulation and official endorsement of the Sustainable Development Goals. There is also a G20 SDG Action Plan. This is a huge asset in the effort to now address internal social cohesion and the crisis of confidence in markets and institutions that go with it. *The SDGs represent possible pathways to greater fairness, inclusion and sustainability for all countries*, with each country finding its own way forward. They provide a framework that can be used to address the domestic political drama being experienced by most people in most countries in the aftermath of great progress on globalization based on the global economy as a global market.

But the SDGs cannot be the starting point for countries generating their own trajectories toward systemic sustainability moving from global goals to national priorities, from outside inward. Rather, the SDGs can serve as a common framework for moving from inside outward, generating domestic values, social discourses, new politics, innovative policies and unique strategic visions which are distinctive but are marshalling national efforts toward similar and comparable goals, targets, and measures of progress.

The G20 as a platform for political leadership of the major economies can utilize the momentum for the SDGs begun five years ago to now address the crucial challenges of our time of *fairness, inclusion and sustainability* through harnessing societal efforts and integrating diverse approaches toward achieving systemic sustainability over the medium to longer term.

Harnessing societal efforts in this political moment means *drawing on cultural dynamics, decision-making modalities and political processes which rely on mixing contradictory elements into blended solutions* rather than falling into polarizing polemics, false binary choices and ideological extremes.

The G20 itself represents a unique representation of culturally diverse countries with diverse blends of market and state, individualism and community, competition and cooperation which should be able to provide the world with an eclectic, inclusive, complex, holistic vision for the global future. G20 leaders joining forces for addressing these domestic challenges affecting all countries could provide positive spillover impacts on G20 cooperation in managing global security risks.

Ongoing Disruptions - The Scale of the Problems We Face

1. The discussions during the V20 Summit on April 18 expressed a deep sense of crisis in our national and global economic order. The current economic, social, and geopolitical trends are simply not sustainable and may lead to a collapse of globalization, national upheavals, and even war, if they are not seriously and rapidly addressed.
2. In many countries, especially the US and Europe, the decoupling between productivity and income and the severe inequality have led to a sense of unfairness and anger. Rapid technological change will only make things worse. Rapid economic, technological and social change require strong political capacities to reform domestic systems. Yet, rising inequality and social anger leads to intense fragmentation. Where political parties are ossified and cannot respond fast enough, nationalistic populist parties can take power and make national and international cooperation impossible. This leads to an accelerating vicious cycle between social fragmentation, poor economic performance, and political crisis.

3. Global governance in all its forms (norms, global institutions, regularized cooperation) must rapidly change and provide signals and support to counteract this growing social crisis. Yet, the rapid global power transition has triggered an intense strategic rivalry between the US and China, as well as with Russia and others, which threaten to erode the entire foundations of our integrated global economy.
4. Additional challenges relate to the slow implementation of the Paris Agreement on climate change and of the SDGs, and a gradual erosion of the post-2008 cooperation on preventing and managing global financial crises.
5. The world economic system is in danger and scenarios for a disorderly unraveling of globalization with ensuing social and political upheavals or worse, are now plausible.
6. The G20 has shown good ability to fix urgent technical economic problems, support structural reforms, and generate a modicum of cooperation among financial regulators. However, its heavy reliance on the epistemic consensus of finance officials has made it unable to neutralize the growing social systemic crisis. All economic measures must now be stress-tested against their contribution to further social fragmentation. This requires a new approach and new inclusiveness.
7. Rapid and catalytic actions are needed both at the national and global levels. Actions that can have a rapid economic and political impact and a long-term capacity to generate new consensus should be prioritized.
8. US domestic politics will continue to have an outsized impact on the future of the world and much of the response to the global crisis will start within the US.

Key Disruptions

1. Decoupling between productivity and wages in the US (1973-2016: 12% increase in total hourly compensation vs 74% cumulated productivity gains), as a result of policy choices and geographical divergence. Similar trends exist in many other countries, as globalization support higher returns for capital than labor. Technological change and the Fourth Industrial Revolution are about to accelerate this trend if not mitigated.

2. The resulting inequality results in a sense that outcomes are not fair any longer, turning into feelings of exclusion, and anger.
3. Trust in economic and political institutions is going down fast. Where party systems don't adapt rapidly, populism and nationalism are rising fast. The poor economic and social performance of many democracies leads to increased erosion of commitment to representative democracy.
4. There is an erosion of commitment to free trade in the US and in some other countries.
5. Global financial vulnerability is rising again, post 2008 measures are running their course or being eroded and the will to cooperate to pre-empt or respond to a new global financial crisis is diminishing fast.
6. Intensifying strategic security rivalry between the US and China risks eroding the very foundations of the global economic order unless positive spillovers from economy to security can be rapidly generated, possibly even within the G20. The gradual long-term power transition between established and rising powers is generating great frictions and distrust.

Possible National Solutions

1. Urgent renewals in discourse, values, and political platforms is necessary at the national level to cope with the level of challenges ahead.
2. Economic literacy education is urgently needed in all countries to empower citizens with the tools to act as citizens.
3. Policy innovation is urgently needed, and positive policy experiences must be rapidly analyzed and spread beyond pilot countries. The G20 should encourage such positive emulation. Catalytic experiments must be supported.
4. The toolbox must be expanded beyond tax policies, pension, labor market, education. While helpful, these represent too narrow a set of tools.
5. Economic reform programs to stimulate innovation, entrepreneurship, and structural adaptation to economic change must now be stress-tested for their social impact and should be neutralized in terms of impact on income distribution.

Possible Global Solutions

What follows are longer term efforts the V20-Brookings believes the G20 needs to initiate.

1. The G20 must acknowledge the scale of current challenges and the threats facing the global commons. The G20 must generate a new vision, a set of strategic goals, and a new narrative about a global system that delivers for humanity in a *competent, efficient, and fair* way. These goals must underpin strategic policies and create a new narrative about global governance. Technocratic discourse focused purely on economic efficiency must not continue.
2. The G20 must initiate a study group on the root causes of the decoupling between productivity and wages with the mandate to analyze the possible solutions to this dilemma. New political equilibria must be proposed, along with pathways toward their achievement.
3. Any recommended economic reform focused on innovation, entrepreneurship, structural reforms must now be stress-tested for social impact or be accompanied by measures that ensure no further worsening in income distribution.
4. The G20 should stimulate and monitor a global search for new solutions, incentives, or innovative policies that straddle the gap between economic performance and social performance. Lessons should be drawn and diffused globally.
5. To be more credible and innovative in delivering on recommendations 2 and 3, the G20 must increase its inclusiveness by giving key voice to credible social actors from around the world at the top level.
6. The G20 may need to find indirect ways to deal with security competition, namely by introducing circuit-breakers and avoiding the spillover of security tensions into the global economic order.

Takeaways from V20-Brookings Panel on “Visioning the Future”, 18 September 2018

The V20-Brookings “Visioning the Future” Panel was convened at the T20 Argentina Summit in Buenos Aires. The Panel featured four panelists: Sergio Bitar (Inter-American Dialogue), Colin Bradford (Brookings and V20 Co-Chair), Dongxiao Chen (Shanghai Institutes for International Studies), and Julia Pomares (CIPPEC). It was moderated by Yves Tiberghien (V20 Founder and Co-Chair).

Building on the V20-Brookings Workshop on Social Cohesion held in April 2018 and the Berlin Global Solutions Summit held in May 2018, the aim of the “Visioning the Future” panel was to identify bold and concrete solutions for the G20 to build a global economic system that supports both economic prosperity and social resilience (e.g. by developing policy tools to recouple labour and productivity).

The following issue areas were identified as the most critical drivers of disruption that must be addressed to move toward a more cohesive future:

1. *Economic stress on societies leads to fragmentation, polarization, populism.*
 - There is a dominant sense about how recent changes such as the rise in inequality or technological disruption have been caused by global factors and a desire to defend the local against the influence of the global.
 - Rising antagonism between ‘global elites’ and people ‘left behind’, coupled by aloofness towards factual truth and the lack of desire for dialogue.
 - Political parties are losing their ability to govern: governability has become more difficult and Government at the local level has increasingly not worked. Leaders tend to last fewer years.
 - This challenge is present even in large emerging markets like China.
2. *Clash of visions between the post-modern /globalization crisis in established powers and the modernization drive of rising and developing powers.*
 - This clash happens both between-states and within-states. Domestic stability is of special concern in China.
 - The pattern of adaptation and restructuring of processes by Western countries as many low-income countries become medium income will largely determine future convergence or divergence.

3. *Clash over global economy and geopolitics.*
 - Resilience of the global system is uncertain because the systems have been untested: every challenge is a novel challenge with no clear precedent, especially when challenges are internal and structural.
4. *US-China tensions that influences many countries and issues around the world*
 - Risk of big power conflict creates uncertainties about what has been largely a US-led global order. The possibility of conflict is compounded by the inability to visualize a world order led by China.

At the highest level, the following themes were identified as the most pressing issues on the table that require current awareness, continued attention, and future resolution. We outline them here with reference to exchanges during the Panel that connect the panelists' insights:

1. *Challenges are both local and global*
 Panelists highlighted both *domestic* and *global order* challenges. Especially noteworthy is that **Chen** also raised not just the risk but the present reality of Chinese domestic concerns that have led to "populism", suggesting that the "social fissures" identified by **Bradford** is not just exclusive to the US but also for China.
2. *Many parties want to be heard*
Bitar emphasized the role of domestic governability and that of civil society, while **Chen** raised the possibility of dialogue amongst stakeholders and a strong sense of responsibility. It seems here that "order-takers" are concerned about domestic issues, while **Bradford's** emphasis is multilateralism. This is consistent with the present US-led order and raises the question of how the US can bridge foreign domestic pressures and its own domestic pressures in building the multilateral order it envisions.
3. *Complementarity in Domestic and Global Visions needed*
Pomares raised the need for a meta-vision within which different visions can coexist and even compete. This is consistent with **Chen's** concept of "different narratives" and the possibility of a "global alliance". Interesting, the panelists' approach to domestic and global challenges were different. This poses the question "is the solution to any global challenge first and foremost a domestic one which aligns with domestic political priorities?"

4. *Changing roles of leaders and stakeholders*

The interplay of domestic and global challenges requires leaders who are trained, skilled and capable in both areas, as noted by **Pomares**. This is especially important given trends that signal decreased shelf lives for leaders. There is increased need for meaningful engagement and dialogue with all stakeholders; their perspectives are fundamental. As **Chen** noted, stakeholders need to have a strong sense of responsibility. Only then will social cohesion shift from being merely an idea to being an actionable point.

Speaking to the identified drivers of disruption and these themes, the panelists believed that the G20 can act quickly and decisively by (a) strengthening multilateralism, (b) reinforcing the fight against fragmentation and inequality and end political debates about trivial issues at the national level, (c) forming a global alliance of new consensus, and (d) creating more engaging dialogue with all stakeholders that establishes a new sense of responsibility. Yet the panelists also reiterated that G20 action will depend on the broader narratives that are at play.

Narratives matter. The lasting message from the “Visioning the Future” Panel is the need to focus on a common narrative that captures common issues and challenges (e.g. innovative development, green economy, inclusive process, maintaining open markets) while accepting diverse priorities and practices of different regions and countries. To do so, the challenge is to identify new common values that overcome ‘artificial binaries’ and could be relevant across national settings.

Overall, the V20 expects that these common values will ground a global common narrative and enable a “meta-vision”. This will accommodate a diversity of national and local visions and defuse conflicting national stories. As the V20 is well aware, there is no “one size fits all” prescriptive approach. A higher order is necessary as we work to rebuild social cohesion and vision the future.

The VISION20 Initiative

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