Global Governance: Emerging Powers in Energy and Climate Change Regime

"The Globalization we are experiencing today is by nature different from the kinds of globalizations which the world experienced before...this is really something that is here to stay, that is different, and that we have to adjust to and manage in a very different way."

- Dr. Kemal Derviş, UNDP Administrator

Background: *Global Governance...*

Accelerating globalisation has created cross-border and global problems that could not be solved by nation states alone, rather, these problems needed to be tackled politically on the basis of new forms of governance that is beyond an individual nation state. International financial crises, banking regulation, global climate change, international property rights, migration flows, humanitarian interventions, and the fight against transnational terrorism have increasingly become the objects of global policy processes, along with continued concern with long-established questions such as the international trade regime. The main aim of global governance is to avoid crises and turbulence within the global system, with an increasing range of issues seen as potentially threatening. But global governance amounts to more than this: it also has developmental objectives. For much of the 1990s, these were framed as a neo-liberal policy agenda aimed at promoting faster economic growth through internal and external liberalisation.[1]

Emergence of Brazil, India, China and South Africa (BICS) in International Fora

The four Emerging economies with development as priority are slipping in to the role of significant actors for global governance, forcefully altering the basic patterns of world politics and the world economy, and with them the relationship between the industrialized and developing worlds. The newly emerging constellation of power is shaped by key factors like, the rise of these countries in the world economy as important actors in global governance arenas amounts to a *tectonic shift: in other words, one, which entails significant and profound impacts*. This dynamic is the result of both the rapid and sustained pace of growth experienced by these economies and the size of their populations.[2] BICS are therefore not only "emerging economies" (like South Korea, Taiwan, Singapore, Thailand, and others before them), they are also "drivers of global change." They are and capable of forcefully altering the economic and consequently the political balance of power throughout the world. The dynamics of this upheaval are impressive: China, fewer than two decades ago still a marginal

[1] China and India in the Global Governance Arena, Dirk Messner, German Development Institute, John Humphrey, Institute of Development Studies
[2] Unstable Multi-polarity? China's and India's Challenges for Global Governance, German Development Institute

economic actor, has now moved into the role of one of the world economy's key players.

The current global governance architecture, with its quasi-unilateralist bias, is therefore unlikely to last more than a brief historical moment. The rise of big developing countries as relevant actors in global governance and the world economy is leading to the formation of a de facto multi-polar power constellation. (as quoted by German Development Institute is a study) In 2025–2030 at the latest, the US, China, India, South Africa, Brazil and possibly Europe will constitute significant poles of power in the architecture of global governance.

Rise of emerging economies – *potential for growth…*

The four emerging economies today is clearly a remarkable success story of rapid economic growth and poverty reduction. In less than a generation, the countries have transformed their economies to become among the most vibrant and dynamic in the world. Following Japan, now China and India are emerging as major players from Asia in the global economy. Over the past 25 years or so, China has averaged real GDP growth of close to 10% a year. India's trend growth has accelerated steadily from about 4% in the 1960s to the early 1980's, to around 6.9% in recent years while Brazil and South Africa is growing at around. 8.3% and 4.9 % respectively. Developments in these countries have been priority. In the broader context, per capita income has grown faster in percentage terms in developing countries (i.e. 50 percent) than in developed countries (23 percent). However, these results may be misleading because developing country growth is from a smaller base of sectors. Thus as a result, the *absolute* income gains in developing countries were much lower than in developed countries. That has caused increased gaps between rich and poor, even as incomes rise rapidly in developing countries. The cause and consequence of low levels of socioeconomic development is lack of access to modern energy services. One-third of the developing country population—over 1.5 billion—lacks access to electricity. Four of the major GHG emitters have major electricity access deficits, with India alone accounting for almost 600 million people. About half of the developing worlds — 2.4 billion people — rely on traditional forms of biomass for cooking and heating. It follows that without commercial energy services; modern conveniences are often unobtainable.

In the given context of energy deficit, countries have been able to maintain high growth rate as commerce between nations is supported and accelerated by "truly global and highly integrated" financial systems that are themselves speedily evolving with the technological bounds of the last decade. Those changes are, in turn, causing the economic landscape to shift. With technological revolution, markets and societies once considered peripheral are now joining the centers of economic growth as finance and investment pour into developing countries. In earlier days economic growth used to be concentrated in the northern hemisphere but in increasingly integrated world, countries like India, China, and Brazil are beginning to experience their own growth. In the emerging southern poles of growth like China, Korea, India, and to some degree, even in South Africa, Brazil and parts of Latin America technology is not only allowing goods, services, and capital from different parts of the world to flow together but economic globalization has been accompanied by the "soft globalization" of thoughts and ideas.[3] Images and information are instantly transmitted to a global audience. All these factors together have resulted in high potential of growth for 4 key emerging economies.

Energy Driving Growth…

Energy has been universally recognized as one of the most important inputs for economic growth and human development. There is a strong two-way relationship between economic development and energy consumption. On one hand, the growth of an economy, with its global competitiveness, hinges on the availability of cost-effective and environmentally benign energy sources, and on the other hand, the level of economic development has been observed to be reliant on energy demand. Thus growth of developing economies is highly dependent on the growth of its energy consumption. Due to changed usage and sources of energy, the optimal long-term energy supply requirement of the country necessitates examination of all energy resources available both indigenously and globally. Given the plans for rapid economic growth, it is evident that the country's requirements for energy and supporting infrastructure would increase rapidly as well. In view of the rising energy prices and other geo-political considerations regarding energy imports, countries have been identifying and adopting policies and measures that will enhance energy security and help reduce the final energy requirements of the economy.

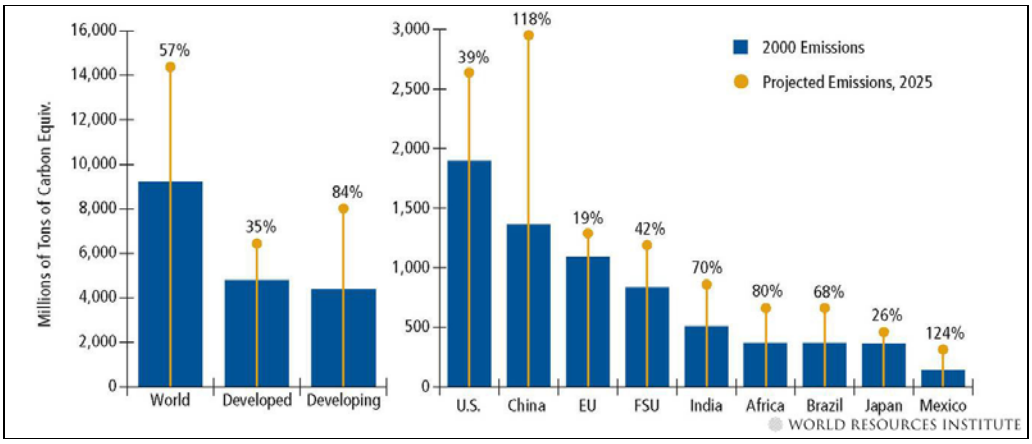
Shaping economic growth in a sustainable way is one of the biggest challenges to be faced in the 21st century. More and more countries like Brazil, India, China, South Africa (the BICS) - have already elaborated national strategies for sustainable development or are about to do so in order to base economic growth on a long-term perspective, balancing the interests of economy, society and environment. Worldwide energy consumption is projected to grow by 57 percent between 2002 and 2025, according to the *International Energy Outlook 2005* (*IEO2005)* by the Energy Information Administration (EIA). The *IEO2005* shows strongest growth in energy consumption among the emerging economies of the world, especially emerging Asia (including China and India), where robust economic growth drives the increase in energy use over the projection period. Energy use among emerging economies will be more than doubles over the forecast period.[4]

India ranks sixth in the world in terms of energy demand, accounting for 3.5 per cent of the world's commercial energy demand in 2001 (Figure 1.15). The world's total primary commercial energy supply (TPCES) grew at a compounded annual growth rate of 2.4 per cent over the period 1965-2002, with the Middle East and the Asia-Pacific regions displaying the highest growth rates. Within the Asia-Pacific region, India has exhibited one of the fastest growth rates in commercial energy supply. On the whole, the share of India in the total world commercial energy supply increased from 1.4 per cent in 1965 to 3.5 percent in 2001.[5]

[3] http://gstudynet.org/governance/panels/keynote.php
[4] http://www.eia.doe.gov/neic/press/press259.html
[5] Initial National Communication of India to UNFCCC

Securing Energy with Climate Change…

On a per capita basis, GHGs from developing countries will remain far below those of developed countries well into the future. However, total emissions from developing countries will continue to rise sharply and are projected to surpass those of the developed countries within a decade or two. The rapid rise in developing countries emissions is driven by development imperatives – in particular, the need for energy and economic growth – encouraged by flows of investment and technology that support conventional paths of development. Along with growth, country's energy consumption, which is dominated by greenhouse gas (GHG) emitting fossil fuel, has been rising. Over the last 30 years, energy consumption in Asia only has grown by 230% that now accounts for nearly one-quarter of the world's greenhouse gas emissions.

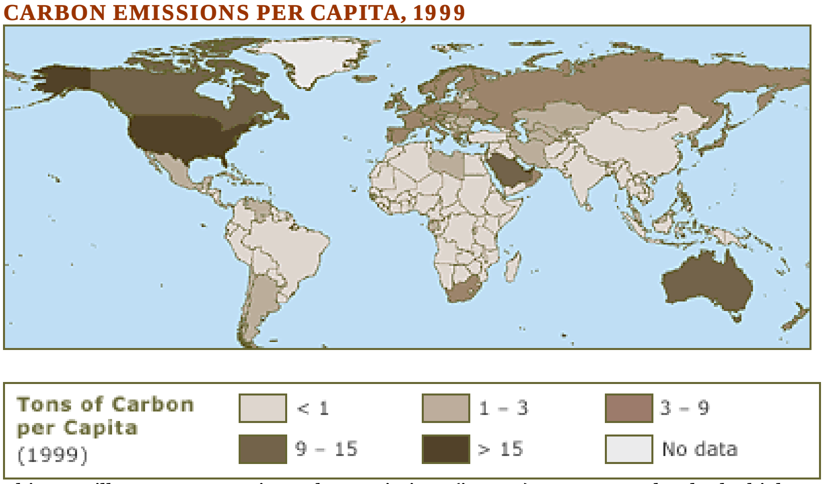


Source: WRI (2005)[6]

However, BICS must continue to grow rapidly to pull out hundreds of millions of people still living in poverty and to meet the Millennium Development Goals. Rapid development has brought enormous benefits to its people, with millions people lifted above the $1 a day poverty line since 1990. In Asia nearly 1.9 billion people - half the region's population - live on $2 a day or less, and about 1/3 of these people still have less than $1 a day. Moreover, about 1 billion people do not have access to electricity. Thus, providing energy for all is also among the many challenges facing the region. These mean that developing country's energy consumption will continue to rise.

[6] Projections are based on EIA, 2003 (reference case, CO2 from fossil fuels) and POLES (non-CO2 gases) (EC, 2003). GHGs do not include CO2 from land use change. "FSU" is former Soviet Union.

CARBON EMISSIONS PER CAPITA, 1999



This map illustrates per capita carbon emissions (in tons) at a country-level. The highest per capita emissions are found in the U.S., followed by Canada, Australia, and Saudi Arabia. Alternatively, most countries in Africa, Asia, and South America depict low per capita carbon emissions. Source: http://earthtrends.wri.org/

Approach of strengthening alliances with other countries…

The four emerging economies project their power in the international scene through multilateral institutions by building multilateral or bilateral alliances with countries that have common international interests and objectives. In this manner, middle powers seek to increase their visibility, voice and decision-making power through institutions traditionally dominated by the great powers such as the United Nations (UN) and the World Trade Organisation (WTO). The platforms like IBSA, +5 in G8, etc… are such alliances that shares global vision, with shared interests, values, capabilities, needs and grievances. Nevertheless, despite a common starting point, it would be wrong to assume that such agreements are among equals. China, India, Brazil, and South Africa differ in territorial, demographic, economic, and military size and capabilities. However, all the four are confronted with domestic socioeconomic problems, as projected in the UN's human development rating, Brazil has a higher level than India and South Africa, reaching the 69th position (out of 177 countries), while the latter two were classified 121st and 126th, respectively. South Africa's ranking is very low despite its high per capita income due to the AIDS epidemics it currently suffers, which brings life expectancy below 50 years of age. Despite India, Brazil, and South Africa's differences, the such forum acts with a coherent group attitude. Undoubtedly, the alliance is based on shared values.

Responsible Role in Global Governance…

Majority of the world's population with low-income level, constitute the base of the economic pyramid. New empirical measures of their behavior as consumers and their aggregate purchasing power suggest significant opportunities for market-based approaches to better meet their needs, increase their productivity and incomes, and empower their entry into the formal economy. [7]The 4 billion people at the base of the economic pyramid (BOP)—all those with incomes below $3,000 in local purchasing power—live in relative poverty. Their incomes in current U.S. dollars are less than

[7] The following text is conceived and edited from: http://eviangroup.org/resources/storygg.pdf

$3.35 a day in Brazil, $2.11 in China, $1.89 in Ghana, and $1.56 in India. Yet together they have substantial purchasing power: the BOP constitutes a $5 trillion global consumer market.

The voice of new actors in global governance is to be heard through greater interaction and cohesion in order to tackle global threats and to build the foundations of the future international system. Taking up global challenges is an achievable goal, but it requires global solutions and leadership, and will have to go hand in hand with local initiatives. However there are few barriers/challenges that faces the emerging powers and need to be addressed by introducing reforms in existing processes in order to maximize the role in evolving Global Governance:

Openness economies leads to growth

One of the many steps to undertake to deal with global challenges is to recognize the importance of growth. Growth is a prerequisite to raise living standards, alleviate poverty, build a strong domestic private sector and improve education and health services. Moreover, growth can create awareness that there is no long-term development unless it is sustainable, which implies environmental policies and appropriate natural resources management. Numerous examples illustrate that closed economies generate negative growth and those open to trade, investments, technology transfer, immigrants and foreign sources of learning develop successfully.

Liberalisation are not merely economic

Liberalisation of trade and investment regimes improves resource allocation and access to new technologies, and has thus a positive effect on growth rates. Liberalisation can thus contribute to reduce poverty. Poverty alleviation and adequate domestic reform, especially to improve access to basic requirements like education and healthcare, can contribute to the shift towards democratization. As economies rapidly evolve, liberalisation must be a constant and ongoing process. Protectionism, subsidies and other distortions benefit narrow vested interests, but cause considerable harm. According to the World Bank, full trade liberalization could bring between $200 billion and $500 billion in additional income to developing countries.

Global governance must achieve greater coherence and dynamism

The world economy is integrating and thus better global governance is required. International trade, financial, health and environmental institutions must achieve greater coherence. It must be clear that efforts at the international level are not adequate with out being complemented by corresponding domestic reforms. Thus multilateral system has to be dynamic and to adapt continuously to the political, economic and social evolution. The pace of technological, social, demographic and business change has never been so rapid. New rules are now required for new driving forces.

Bilateral and regional cooperation can potentially threaten multilateralism

New rules are required as well to hold back potential threats to the global system. Regional cooperation initiatives, in particular free trade agreements, are often praised for facilitating negotiations in a multilateral context (as a rehearsal of the real game) and for dealing with new themes. However, bilateral and regional cooperation imply by definition discrimination against multilateralism. Free trade agreements, while going much beyond economic concerns, often exclude certain sectors, e.g. agriculture, from liberalisation and thus cannot be regarded as substitutes for multilateral negotiations. In the face of such complexity, rules are needed to deal adequately with the relations between these various kinds of international cooperation.[8]

Multi stakeholders must be engaged in the international policy-making processes
Now a days, governance is no longer only for/by national states. NGOs and multinational corporations also have a role to play. These players must be considered in international policy making processes, and processes themselves need to be adapted. New kinds of rules, such as best practice or standards set by private organisations, are likely to coexist in the future with traditional instruments of international cooperation. Similarly, the importance of global networks – promoting intercultural as well as cross-constituencies exchanges – is likely to increase dramatically in the future.

Good business fosters good governance, good governance fosters good business
Multinational corporations in emerging economies can be very effective agents of change and development, since these economies welcome foreign direct investments that benefit from technology transfer and development of management skills that can foster local businesses and entrepreneurship. However, to maximize the potential benefits of FDI, two things are required. First, the regulatory and institutional framework in these countries should be conducive to both local and foreign investment and create a sound business environment. Second, their corporations should act responsively and not only comply with, but also promote best practice in all their business activities.

Shaping the future global system
Open economies, responsible global governance and corporate leadership are three essential components of a sustainable global system. Its objectives must be growth, adequate management of natural resources, access to and transfer of technology, participative policy-making process on a global scale, greater coherence between institutions and policies, dynamism, and regulation and policies adapted to real needs.

Mainstreaming successful GHG mitigation approaches supportive of development needs
The emerging countries must deal with extreme poverty and major social challenges, along with climate change that is continue to rank low as a political priority. Successful international climate change initiatives are those that can mitigate GHGs while also helping countries meet their development aspirations. Such a "sustainable development policies and measures" approach is to be adopted to continue growing as major player in given context.

Reliably formulate, implement, and comply with climate commitments
Since the adoption of the Kyoto Protocol, wide ranges of proposals have been made for a successor agreement. Different options implicitly require different levels of capacity. This is a major challenge, since to date, almost all developing countries have reported difficulty in compiling their emissions inventories under the UNFCCC. As suggested by the Convention, Parties should adopt measures that are at least somewhat commensurate with their present or anticipated future capacities. Along these lines,

[8] http://eviangroup.org/resources/storygg.pdf

additional efforts based on to enhance developing country capacities are needed, so that these countries will be in a position to make significant contributions to the objectives of the Climate Convention based on principle of historic contributions and differentiated responsibilities.

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