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# **North-South Negotiations about Financing for Development: State, Society and Market in the Global Age**

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## **Abstract**

In contemporary global politics different actors seek to create contrasting world orders through the existing mechanisms of global deliberation and policy-making. This article draws on the anthropology of policy to elucidate some of the different potential world orders that are being discussed today. Developing the concept of ‘policy vision’, the article seeks to bring into focus the different policy visions currently being proposed by the countries of the North and those of the South in global policy negotiations at the United Nations. To do this it critically scrutinizes the divergent North-South positions in the negotiations leading up to the 2015 UN Financing for Development conference in Addis Abeba and draws out their divergent visions of alternative world orders. The conclusion sets these alternative world orders within Dani Rodrik’s ‘political trilemma of the global economy’ and considers their implications for the future of state, society and market in the global age.

## **Policy Implications**

1. A forum or working group to discuss the nature of the future world order should be established at the United Nations.
2. The G77 should organise a commission to review their view of a desirable future world order in light of the contemporary context and should give serious consideration to the possibilities of democratic state-society relations at the global level.
3. Civil society should organise wide-ranging consultations on possible future world orders, and feed their conclusions into the UN forum or working group suggested above.
4. Ultimately, decision-making about the nature of the future world order should be democratized through a global parliament in which the views of world citizens are represented.

This article is concerned with the way in which different actors seek to create contrasting world orders through the currently existing mechanisms of global deliberation and policy-making, and with the nature of the different potential world orders that are being proposed. Drawing on the anthropology of policy, this article seeks to bring into focus the different world orders that are currently being proposed by the countries of the North and those of the South in global policy negotiations at the United Nations. Whilst it is well-known that discussions at the UN tend to be marked by contrasting positions of the North and the South - as represented by the Northern countries, the EU and the OECD on the one hand, and the Southern countries and the G77 on the other - there has been little analysis of the content of these positions taken as whole policy visions, and even less consideration of the implications of these different visions for global society as a whole.

In 2015 three major UN conferences took place – one on Financing for Development in July, one on the Post-2015 Development Agenda and the Sustainable Development Goals in September, and one on Climate Change in December. The agreements made at these three conferences set out a new universal vision regarding sustainable development. Whilst the other conferences set out goals and targets, it was at the Financing for Development (FFD) Conference in Addis Abeba, Ethiopia that difficult negotiations took place about what kind of activities should be carried out in order to reach these goals and how these activities should be funded. It is in these discussions about the so-called ‘means of implementation’ that it is possible to view the different visions of the future world order called for by the North and the South, even while they agreed on the shared goals of the Sustainable Development Goals (SDGs). This article thus draws on insights from the anthropology of policy to critically scrutinize the divergent North-South perspectives in the negotiations leading up to the Addis Abeba conference. The next section briefly discusses the anthropology of policy and then develops the concept of ‘policy vision’. The following two sections draw out the policy visions of the North and the South from the negotiations at the Addis FFD conference, and the conclusion considers the implications of the two contrasting policy visions for the future of state, society and market relations in the global age.

### **The Anthropology of Policy**

The anthropology of policy has developed since the late 1990s and to date has mainly focused on policy processes at the national or European levels. Nonetheless many of the insights can also be applied to studies of global policy. Anthropological approaches to policy see policy as inherently political and the goal of analysis is to reveal the larger processes of governance, power and social change that are shaping the world today. Policies can be used as a lens through which to study political transformation and wider shifts in contemporary systems of governance (Shore, 2012; Shore & Wright, 2011).

Cris Shore and Susan Wright, two pioneers in the anthropology of policy, suggest that policies should be conceptualised as discursive formations through which larger scale processes of social and historical change can be mapped (Shore & Wright, 1997). This is because part of the ‘work of policy’ is to classify and organise people and ideas in new ways (Shore & Wright, 2011, p3). They argue that policies can be thought of as ‘contested narratives’ which frame the problems of the present in such a way as to project a particular pathway to their resolution (Shore & Wright, 1997, p3). Thus, to cite an example that they give, in the 1960s the Beveridge report about the British National Health Service framed the relation between individual and society in a fundamentally new way by tying the welfare of every individual into membership of society and setting out a system in which the current workforce would underwrite the security of the retired generation while trusting that the future generation would do the same for them. In this way the Beveridge Report framed the space to be governed in a radically new way and thus set in motion a process of major social change (Shore & Wright, 2011, p2).

So whilst policies to some extent mirror the visions and values of society, they can also create alternative renditions of that society. Through the processes of ‘re-defining’, ‘re-organising’ and ‘re-framing’ policies can provide active charters for change. It is precisely because they possess this authority to redefine issues that they are often used by governments and other institutions when they seek to act upon the world and to change it (Shore & Wright, 2011, p3; Stepputat & Larsen, 2015, p12). Looking at *global* public policies from this perspective suggests that we can read these policies as visions of, and prescriptions for, the future world order. In other words, when looking at global public policy in this way, it is possible to study competing ways in which various parties attempt to ‘produce the world’ (Bierschenk, 2014).

One way of doing this is to look at what I call the *policy vision* that is embedded in various policy positions, statements and documents. A policy vision is not the same as a policy narrative – it is not the explicit story that the policy-makers create in order to explain or justify a particular policy. Rather it is the vision of the world that would come about if a particular collection of policies were indeed to

be implemented. A policy vision cannot be read from a single policy document in a straightforward way. Instead it must be pieced together from considering the implications of different policy documents, statements and positions. In this article I seek to piece together the contrasting policy visions of the North and the South at a particular UN conference by looking at the assumptions and framing of the policy debates that took place during the negotiation process.

### **The 2015 Financing for Development Debates**

The preparations for the third Conference on Financing for Development were launched at the United Nations in New York on 17 October 2014. Two rounds of discussions reviewing progress made in implementing the agreements of the previous FFD conferences in Monterrey (2002) and Doha (2008) and discussing new and emerging issues were then followed by drafting sessions which took place between January and June 2015. The zero draft was produced after the first drafting session in January 2015. There were then regional consultations and informal hearings with civil society and the business sector. The second drafting session took place 13-17 April and a third drafting session was scheduled for 15-19 June. According to observers these negotiations became “heated and tense affairs marked by clashing positions between developed and developing countries and deep discontent over both content and process” (Muchhala, 2015). Due to difficulties coming to agreement on a range of issues, the fairly unusual step was taken to add three additional drafting sessions in between the second and third drafting sessions. However even these failed to bring all parties to agreement. By the end of the third additional drafting session there were still a number of outstanding issues on which consensus could not be achieved.

This led to the co-facilitators circulating a number of ‘bridging proposals’ in an attempt to address the differences and the next several weeks were spent convening non-stop informal discussions and small private meetings behind closed doors. Three new versions of the draft document were issued during the third drafting session, but agreement still could not be reached. The session was paused and extended while a number of outstanding issues of ‘great sensitivity’ needed to be discussed at the political level (IISD, 2015a). After several more weeks of informal consultations it still proved impossible to reach consensus and in the end the outcome document was only finalized at the Addis Ababa Conference itself.

The Addis Ababa conference took place between 13-16 July 2015 and was attended by over 11,000 people, including heads of state, ministers and representatives from governments, civil society and business. Throughout the week of the conference the Main Committee met three times in closed meetings to try to resolve the final text. The final outstanding issue which was causing all the trouble was tax. According to one observer the G77&China representative had revealed to them that the developing countries had decided that tax was the most important issue for them, particularly upgrading the UN Tax Committee to an intergovernmental body, and that they had taken a strategy to focus on getting a substantive outcome on this one matter above all others (IISD, 2015b; Muchhala, 2015). The developed countries were however very much opposed to any kind of global tax body and were determined not to budge on this issue. Hence the deadlock.

The discussions were not very productive and the G77&China finally had to back down and agree to a compromise. The final text included some proposals to make minor changes to the UN tax committee but fell far short of upgrading it to an inter-governmental body. Why the seemingly unexciting and bureaucratic issue of changes to a tax committee at the UN should have become such a contentious issue will become clear when we look at the two conflicting policy visions of the North and the South. However, tax was of course not the only issue of disagreement. Throughout the negotiations there were also major North – South conflicts on a range of issues including the role of the private sector, the nature of Official Development Assistance (ODA, or ‘aid’), the principle of Common But Differentiated Responsibilities (CBDR), the integration or separation of climate and development issues, debt relief, and the follow up for the Financing for Development process.

In this paper I will argue that in order to understand what was really at stake in these negotiations we have to not focus on the minute details of each disagreement, but instead to step back and look at the two negotiating positions as whole policy visions. Analysed this way we can see that the North and the South were in fact proposing different ways of ‘producing the world’ – they were arguing for different world orders.

Based on a review of publically available documents from the drafting sessions, articles and reports produced by observers, and interviews with civil society representatives who were present in Addis during the conference, this paper seeks to bring into focus the different ‘global policy visions’ of the North and the South.

### ***The Policy Vision of the South***

The world order proposed by the South is one in which separate countries have their own sovereignty and make their own decisions about the best policies and approaches to development. These countries are then embedded in a loosely connected international order in which, they argue, the rules should be democratically decided by all countries and should be based on a relationship of solidarity between the rich North and the poor South. This vision is in many respects a continuation of the vision encompassed in the New International Economic Order (NIEO) which the group tried to push in the 1970s.

This vision can be seen in the statements made by representatives of the G77&China, the African bloc, the Community of Latin American and Caribbean States (CELAC), the Small Island Developing States (SIDS) as well as by individual countries of the South. Throughout the negotiations they continually stressed the importance of a world order in which independent national governments are in charge of the development processes within their countries. In line with this they stressed that it was fundamental that governments have enough policy space to make their own decisions about national policies. For example, in their comments at the second drafting session, the representative of the G77 and China said:

The issue of policy space for national governments must also be respected. Individual Member State regulations on public domestic financing must be the prerogative of national governments, in accordance with their own specific needs and objectives. (G77 & China, 2015a, p3)

In line with the vision of sovereign governments in charge of the development processes within their own countries the South also placed considerable emphasis on the need for public sector funding and they argued repeatedly that “public funding should always take precedence over private financing” when it comes to matters of development and poverty reduction (G77 & China 2015c:1). This vision, we can see, is what drove their negotiating positions with regard to ODA, to tax, and to debt, which I will discuss now.

They argued that ODA is vitally important for developing countries and must remain central to development financing. They criticized Northern countries for not meeting the ODA commitments that they made at previous Financing for Development conferences and urged them to pledge to increase their aid in the coming years. For example in the second drafting session the representative for the G77 & China said:

The Group of 77 and China ... is of the firm view that ODA represents the major source of financing for the development of many developing countries and it must target the eradication of poverty in its multiple dimensions (G77 & China, 2015, p3).

They also noted that in recent years the amount of ODA they receive has been decreasing as there has been a new trend to channel ODA to humanitarian disasters and to in-country programs in the North,

for example to fund refugee assistance. And they further feared that the re-framing of ‘development’ as ‘sustainable development’ would mean that the supposedly additional funds promised for climate initiatives would in fact be taken from existing ODA budgets. Thus they argued for these different things to be delineated and measured clearly.

Above all they argued that ODA is an expression of the ‘partnership of solidarity’ between the North and the South and they reiterated the need for a global partnership for development. For example in the second drafting session the G77 representative said:

The Group of 77 and China calls upon developed countries to agree and commit to a new phase of international cooperation through a strengthened and scaled-up global partnership for development, which should be the centrepiece for completing the unfinished business of the MDGs and implementing the post-2015 development agenda (G77 & China, 2015, pp5-6)

Again and again they stressed that ‘partnership’ means partnership between Northern and Southern countries and they further argued that this partnership should be based on the Rio Principle of Common but Differentiated Responsibilities (CBDR) – a principle that was developed in 1992 in the context of the Rio Earth Summit and stipulates that whilst all countries share a common responsibility to protect the environment this responsibility is differentiated according to the historical pressure that that society has placed on the environment and the technologies and financial resources which they command. The countries of the South argued that this principle sets out the balance of universality, differentiation and responsibility that previous international agreements had defined and should be also applied to the responsibility for sustainable development. Thus at the third drafting session:

The traditional definition of Official Development Assistance (ODA), based on North-South Cooperation, should be maintained, with a reaffirmation of the fact that ODA remains the main source of international financing for development for many developing countries. It should be based on quantified and time-bound targets that are consistent with, and build upon, MDG-8, the global partnership for development, which must of necessity be re-invigorated and strengthened, and in accordance with the principle of Common but Differentiated Responsibilities (CBDR) (G77 & China, 2015b, p1)

As well as ODA they also emphasised that the ability to collect tax revenue is extremely important in generating public funds to finance development. A main issue here was the matter of tax avoidance and tax evasion, particularly by multinational companies. This was stated clearly for example by the representative of the African Group at the first drafting session:

It is vitally important to address tax evasion of transnational companies and domestic enterprises... Africa realizes that efforts for curbing illicit financial flows (IFFs) transcend national and regional boundaries. (African Group, 2015a, p2)

Since multinational companies are adept at finding ways to avoid paying taxes in developing countries by using, or misusing, the loop holes in tax treaties and tax laws, they urgently called for the creation of an international tax body at the UN through which all countries can come together and democratically decide on how to reform the international tax system to minimize the possibilities for tax avoidance and evasion. At present there is a UN Committee of Experts on International Cooperation in Tax Matters. This committee is very small and under-resourced, with just two permanent staff and only has non-governmental status. The Southern countries called to upgrade this committee into an inter-governmental committee on tax cooperation which could then act as a norm-setting body on tax matters. In this form it would be able to act as the central forum for all countries to come together to discuss and agree on international tax issues and would be the centre point in designing a new democratic and just global tax system. For example, during the third drafting session the representative of the G77 & China said:

There needs to be agreement on the upgrading of the Committee of Experts on International Cooperation in Tax Matters and the Statistical Commission to inter-governmental entities. We have talked about these issues for a long time now, and there is a need to address them sooner rather than later (G77 & China, 2015b, p1).

The idea is in fact not a new one. It was initially proposed in the 1990s by Vito Tanzi, then Director of Fiscal Affairs at the IMF. It formed one of the recommendations of the Report of the High-Level Panel on Financing for Development in 2001 and has been supported in various UN reports and statements since then including most recently in the Synthesis Report of the Secretary General on the Post-2015 Agenda in 2014 (United Nations, 2014). Civil Society actively pushed for it in the preparations for the Monterrey Conference and it even made its way onto the zero draft of the Doha Declaration. In Addis, as I have mentioned, it was the largest point of contention between the North and the South and was the final issue that caused the negotiations to be extended.

Along with ODA and tax, the South emphasized the importance of sustainable debt restructuring mechanisms in order to free up public money to spend on development activities. They called for the development of an international system of debt re-structuring as soon as possible. In the words of the Moroccan Ambassador, speaking on behalf of the African Group:

We need to establish an international debt resolution mechanism to guarantee, a just and equivalent treatment for creditors and debtors. In this regard, we welcome the adoption by the United Nations General Assembly of resolution 68/304 “towards the establishment of a multilateral legal framework for sovereign debt restructuring processes” ... (Africa Group, 2015c, p2)

The next part of their vision is that sovereign countries should be part of a fair and democratic international system. They often highlighted the unfairness of the present system and how it made things very difficult for developing countries. They thus called for an ‘international enabling environment’ for development. For example, the representative of G77 & China said in the first drafting session:

Developing countries should be supported by an enabling international environment, which includes a supportive and just economic and financial international system where the rules are fair and pro-development (G77 & China, 2015c, p3)

To bring this about they continued to ask for more democratic and representative global governance arrangements such that countries from the South would have an equal voice in intergovernmental organisations such as the World Bank, IMF, WTO and the Bank of International Settlements, which are today dominated by the countries from the North. They managed to get a whole range of global governance reforms into the zero draft - including a sovereign debt restructuring body, a global health fund to bring together existing global health funds, an *ad hoc* advisory body to review the role of multilateral and regional development banks, commodity stabilization funds, increasing developing country participation in the Financial Stability Board, and implementing reforms in International Financial Institutions – but not one of them made it into the final outcome document (IISD, 2015b).

As is clear, the vision of the South regarding financing for development is very much centred on public sector funding. They do, of course, acknowledge that the private sector has a role to play, but stress again and again that this is a secondary role and that since companies seek primarily to make profit they cannot be relied upon to necessarily bring about positive development outcomes. Thus throughout the negotiations they argued that there should be much less emphasis on the private sector. Whilst they were keen to attract private capital to their countries their views about the best way to do this differed markedly from those of the North.

They acknowledged that foreign direct investment was important, but they also stressed that it does not necessarily bring about development outcomes and would need to be significantly changed to do so. For example in the first drafting session the representative of the African Group said:

It is equally important to highlight that achieving [development outcomes] must include a change in the mindset of private investors to ensure that their investment decision making is not based on profit only, but must incorporate sustainable development needs (African Group, 2015b, p2)

They also called for more regulation of transnational companies and appropriate guidelines for all forms of investment. Likewise, whilst they accepted that trade is important for development and could provide an engine for growth in developing countries they also noted that:

This will always be elusive to the G77 and China as long as a universal, rule-based, open, non-discriminatory and equitable multilateral trading system is not agreed upon. This should also be one of the key deliverables in the Addis Ababa Outcome Document. (G77 & China, 2015c, p2)

If we piece these elements together we can see that the global policy vision presented by the South is one in which sovereign states decide their own policies whilst being embedded in a loose international community which democratically makes a minimum number of global rules. Governments raise public funds from taxing business and citizens and use this to provide public services and carry out some degree of redistribution. Private capital should be attracted, be encouraged to engage in development activities and be properly regulated. In many respects this policy vision is very familiar – it is essentially a more just and democratic version of the post-war Bretton Woods system of the 1960s– with limited economic integration, a thin layer of democratically-decided global rules, state sovereignty and national level democracy in which governments can make various choices regarding policies and approaches.

### *The Policy Vision of the North*

In sharp contrast the Northern countries argued for a completely different way of conceptualizing international development and its financing. They repeatedly argued for a radical paradigm change and claimed that the post-2015 development agenda, and the way of financing it, must be something completely new. The key elements of this radical new vision, they proposed, were a move away from a North-South conceptualization of the world towards a universal vision, the bringing together of development and climate issues, and a major new role for the private sector. To give an example of the emphasis on changing approaches, here is a quote from the EU representative at the second drafting session:

The zero-draft does not fully capture the paradigm shift towards a universal agenda that has taken place since Monterrey and that the SDGs will concretely reflect, and remains overly premised on an outdated North-South understanding of the world (EU, 2015, p2)

The new vision of the North – pushed by all the Northern countries along with the EU and the OECD - is one of development being led by global capital and private investment. The emphasis is very much on the private sector. They thus stressed that ODA can only form a tiny part of development finance and they were generally not supportive of attempts to help developing countries increase their tax collection from multinational companies or to reduce debt burdens beyond the most extreme. Their focus was on increasing economic integration with more foreign direct investment and more trade. As the UK representative said at the first drafting session:

Working in partnership with the private sector to generate real progress is ... at the core of our collective forward agenda (UK, 2015a, p1)



And again by the EU in the second drafting session:

Ensuring the right form of engagement by the private sector, and incentivising its positive contribution to sustainable development, will be one of the key challenges for the implementation of the post-2015 agenda (EU, 2015, p3)

In order to manifest this particular agenda the focus of the North was on finding ways to facilitate global capital to do business in developing countries. In this view governments need to be responsive to the requirements of global capital and do what is necessary to attract it to their countries. For example, the US representative said in the first drafting session:

The Addis outcome document must also recognize that capital will naturally flow to countries where investors believe they can get a good rate of return and their investments will be protected. To attract and enhance inflows of productive capital for maximum development impact, countries need to create a transparent, stable and predictable investment climate, with proper contract enforcement and respect for property rights (US, 2015b, p1)

To this aim they emphasised three key issues: a domestic level enabling policy environment, public-private partnerships and various mechanisms to improve the risk-return ratio for companies.

In the policy vision of the North governments, particularly Southern governments, need to step back from leading, and indeed from implementing, and should instead focus on enabling. The key role of governments in their vision was to provide the right policy environment that would enable global capital to do business in Southern countries. Throughout the negotiations the North repeated again and again the need for an ‘enabling environment’ at national level. Against the calls of the South for ‘policy space’ the North emphasized the importance of all countries having the right mix of policies and regulations that would enable capital to flow across national borders with minimum transaction costs and which would focus on guaranteeing property rights, safeguarding investments and reducing taxation and regulation. At the second drafting session the EU representative put it this way:

The policy dimension of the document should be strengthened significantly by stressing the centrality of stable and enabling environments, sound, effective and coherent policies, effective institutions and good governance. Policy coherence by all countries and at all levels will be key in moving towards poverty eradication and sustainable development. (EU, 2015, p1)

The importance given to this topic can also be seen in the fact that three of the six roundtable discussions that took place during the Addis Abeba conference were on the topic of ‘policy coherence and enabling environment’, and several side events also focused on this issue.

The ‘right policies’ in this vision are largely policies that have been developed in the North. As well as the well-known policy prescriptions of the Washington Consensus this includes a range of new global policy norms that have recently been developed by the North – in many cases by the OECD – to which the policies of Southern governments are expected to conform. Two important examples are the tax norms set out in the Base Erosion and Profit Shifting (BEPS) guidelines of the OECD and the OECD’s Policy Framework for Investment (PFI). In both of these cases supposedly global norms were devised by the Northern countries with the expectation that they would be implemented by all. These particular policy norms were mentioned frequently in the negotiations, with the BEPS process being applauded whenever the South called to move tax negotiations to the UN. In contrast to the South’s call for inclusive and democratic rule-making at the global level the policy vision of the North calls for an order where global rules should be decided by a small group of Northern countries.

Along with an enabling policy environment the North stressed the importance of public-private partnerships to facilitate private sector involvement. The US representative set out how he saw the respective roles of the public and private sectors in his intervention in the first drafting session:

[Along with finance] the private sector also provides management skills, information technology and can connect producers to value-chains. In turn, the public sector supports creation of the necessary policy environment and mitigates risk (US, 2015b, p2)

In this vision it is the private sector that should be implementing development activities rather than Southern governments, while Southern governments should concentrate on enabling policies and risk mitigation. There is a focus on infrastructure, and in particular large scale infrastructure projects. In order to incentivize the private sector to invest in this traditionally risky area the North sought ways to 'de-risk' these projects so that their 'risk-return profile' would be attractive to investors. They proposed finding projects that would generate adequate revenue streams, for example in the form of user payments or debt servicing, and then creating a pipeline of such 'bankable' projects. They proposed that national governments would take on much of the risk of these investments through a range of new financial mechanisms.

To this end the North suggested that a good use of ODA would be to finance some of these risk-reduction mechanisms. Thus alongside general statements that ODA was not the main mechanism to finance development and acknowledgements that its levels were declining, the North proposed that ODA be made 'smarter' by using it to leverage private sector investments through such de-risking mechanisms. So for example at the first drafting session the representative of Switzerland said:

ODA will be nowhere near sufficient to finance the ambitious and universal Post-2015 agenda we are all striving for. Therefore, the Addis Ababa outcome will have to show how ODA can be used in a smart way to leverage other sources of financing for sustainable development (Switzerland, 2015, p2)

And at the second drafting session the OECD representative reiterated much the same thing:

We are also working on making ODA "smarter" by promoting its strategic use to catalyse other sources of funding, including private investment which is a critical resource for sustainable development (OECD, 2015b, p2)

Throughout the negotiations there was repeated emphasis on these new forms of 'blended finance', including guarantees, first loss funding and various mechanisms that blend ODA with private finance. For example at the first drafting session the representative of Canada set it out like this:

Innovative financing approaches, including public-private blended finance, represent an essential part of the solution to the Financing for Development gaps. Blended finance will ... allow us to mobilize additional capital for development by mitigating risk (Canada, 2015, p1).

Similar thoughts come at the second drafting session from the EU representative:

We would ask the co-facilitators to balance the text on public-private and multi-stakeholder partnerships and innovative finance including blending, guarantees, equity, and other risk-sharing instruments, so as to have a more holistic approach to leveraging funding (EU, 2015, p3)

In this new vision 'partnership' is not a relationship of solidarity between the governments of the North and the South, but instead a business relationship between governments and companies. Thus the 'global partnership for development' was subtly, but significantly, transformed to 'multi-

stakeholder partnerships for development'. For example, at the second drafting session the EU representative said:

[W]e believe that the Addis outcome needs to stress the multi-stakeholder character of the global partnership, able to mobilise action by all countries and stakeholders at all levels (EU, 2015, p3)

And again from the US:

Multi-stakeholder partnerships and blended financing approaches... are gaining currency as the new model for support to development and should be welcomed (US, 2015, p2)

In this vision of private sector financed development, the role of Southern governments as providers of public services is much diminished. Thus raising public funds is correspondingly less important. Only minimal public finance needs to be raised, according to this policy vision, in order to provide some basic kind of social protection for the very poorest in these countries. Underlying the policy narrative of a 'global social compact' in which 'no-one is left behind' was a policy vision in which it would be the poor who would be paying for the social protection of the poorest. This is because in the vision of the North social protection mechanisms would be funded from domestic tax revenues, with a focus on collecting taxes from citizens of their own countries. The North adamantly blocked any attempts to focus on how developing countries could stop tax avoidance by multinational companies or democratize global rule-making regarding taxation and instead focused on initiatives to build the capacity of domestic tax administrations to broaden their tax base and collect more taxes from their citizens.

Piecing together the elements of this policy vision we can see that the North was trying to use the Financing for Development discussions to produce a new conceptualization of the global system by re-framing the roles of state, society and market and re-defining previously agreed key concepts such as 'partnership', 'aid' and 'development'. Their policy vision emphasizes increasing international economic integration and stresses the primary role of global capital. In order to facilitate the flow of capital across borders governments are called to adhere to global policy norms and must essentially follow the same economic approach everywhere, which includes limited regulation and taxation and reduced state provision of public services. In this policy vision public funding is of only secondary importance and the role of ODA, tax and debt relief are negligible.

### **Conclusion: Whither State, Society and Market in the Global Age?**

So what does all this mean for the future of development, inequality and society? What are the implications of these two policy visions and the contrasting world orders that they are seeking to bring into being? In many respects the North – South debate in the FFD process seems to be very similar to right – left political debates that take place at national level. The policy vision of the North is right wing neoliberal while that of the South promotes a more left wing vision akin to social democracy. But it is more complex than this because within each policy vision there are also contrasting visions about the relative importance of the national and the global, and in particular about how states and markets should function at these two levels.

One way to pull this into focus is to draw on the work of Harvard economist Dani Rodrik, who in 2000 published a now-classic article in which he proposed that there was what he called a "political trilemma of the world economy" (Rodrik, 2000). According to this trilemma it would only ever be possible to have at most two out of the following three - international economic integration, the nation state and democratic mass politics. So if there were to be more international economic integration then we would have to do away with, or much reduce, either the nation state or democracy.

His reasoning for this startling claim followed from the fact that for international economic integration to continue further it would be necessary to find ways to stop national boundaries and jurisdictions interfering with global capital flows. Rodrik figured that there were only two ways that this could happen. One option would be to harmonise national regulations, tax policies and contract enforcement procedures with international standards so that doing business in one country would be much the same as doing business in any other country. In this case the role of national governments would have to be restricted to creating the right set of policies to attract global capital – to creating an enabling environment for business and investment. There would need to be a standardization of tax policies and investment policies, and standardised contract enforcement and dispute settlement mechanisms. Governments would have to be responsive to global capital and therefore they would have to give up on democracy, or at least firmly restrict its remit. In this scenario governments wouldn't be able to have their citizens voting for policy options that did not suit global capital, such as high rates of corporate tax or expensive social service provision, to take just a few examples, because if they did capital would just go elsewhere. So in order to be able to make the right policies it would be necessary to insulate large areas of economic policy making from democratic influence. So in this scenario democracy is lost, or at least much reduced.

The other possibility, according to Rodrik, is to scale up democratic politics to the global level and create a federal world system. In this model a global government would regulate a global market. It could be modelled on the United States of America – so in effect we would have a United States of the World – where despite some differences in regulation and taxation practices between states, a global government and a federal judiciary would ensure that markets are truly global and are regulated, stabilized and legitimized. In this scenario the powers of states would have to be extremely circumscribed and most economic policy-making would largely shift upwards to the supranational level. Democratic politics would also expand up to this level and it would be at this level that global citizens would vote on issues regarding the running of the global economy. Thus federal rates of corporate taxation or of social service provision, to continue the examples, would be decided at the global level and applied everywhere. So in this option we lose nation states, or at least their power and significance would be much restricted.

Rodrik argues that if international economic integration – or globalization – is to continue, we will necessarily have to choose one or other of these paths. The only other option is to stop pursuing intense international economic integration and instead to facilitate a much looser degree of economic integration, perhaps akin to something like the Bretton Woods order of the post-war period. In this scenario a moderate degree of economic integration would be accompanied by a thin level of international rules which leave plenty of policy space for national governments to decide on their own economic approaches and to be responsive to their citizens. In this option it is possible to have both states and democratic politics, but not globalization, or at least not much.

Rodrik argues that the world economy is currently “trapped in an uncomfortable zone between the three nodes of the trilemma” and that to successfully manage globalization we need to acknowledge this situation and choose one of the paths to pursue (Rodrik, 2011, p205). I believe that this was, in fact, the discussion that was taking place at the Addis FFD conference. The South were arguing for something very similar to Rodriks's third option of nation state and democracy with only limited economic integration, while the North were arguing for something very close to his first option of the nation state and more economic integration and therefore less democracy. These outcomes were certainly not in their policy narratives, but as I have tried to show, they were in their policy visions.

Seeing the Addis debates in this way helps to shed light on the very different world orders being proposed and the huge consequences they have for state, society and market relations in the global age. One path leads to de-democratisation, increased inequality and an erosion of the social contract that has characterised the post-war period (Freeman, 2017). The other path tries to go backwards to the Bretton Woods era and whilst it offers a more attractive picture of democracy and equality it is difficult to see how growth will be driven without increasing economic integration.

If the South wants to argue for a more social-democratic global order then perhaps they should consider Rodrik's second option - economic integration along with world federation and global democracy. In this scenario it would perhaps be possible to have both the benefits of growth and the benefits of democracy. A new kind of state-society relation could be forged at the global level in which it would be possible to imagine the payment of global taxes and the provision of global public goods along with some degree of global redistribution – many of the so-called 'innovative' proposals that were present in Monterrey and Doha but which were not discussed at all in Addis. This would have the potential to lead to reductions in inequality within and between countries, would give Southern countries a real chance for development, and could lead to a more just global society. With democracy instituted at the global level it would also mean that straightforward left-right debates would be able to take place at the global level and they would be able to do so in a much more representative manner, in which all citizens are involved in the decision-making and through which legal decisions are made by majority vote rather than consensus. Whilst this scenario is not on the table for the immediate future, it is perhaps something to be considered for the longer term, as it would be a radical, yet familiar, way to reconstitute the global and in so doing to reformulate the relation between the North and the South.

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