

CONCRETO

A PERFECT LONG



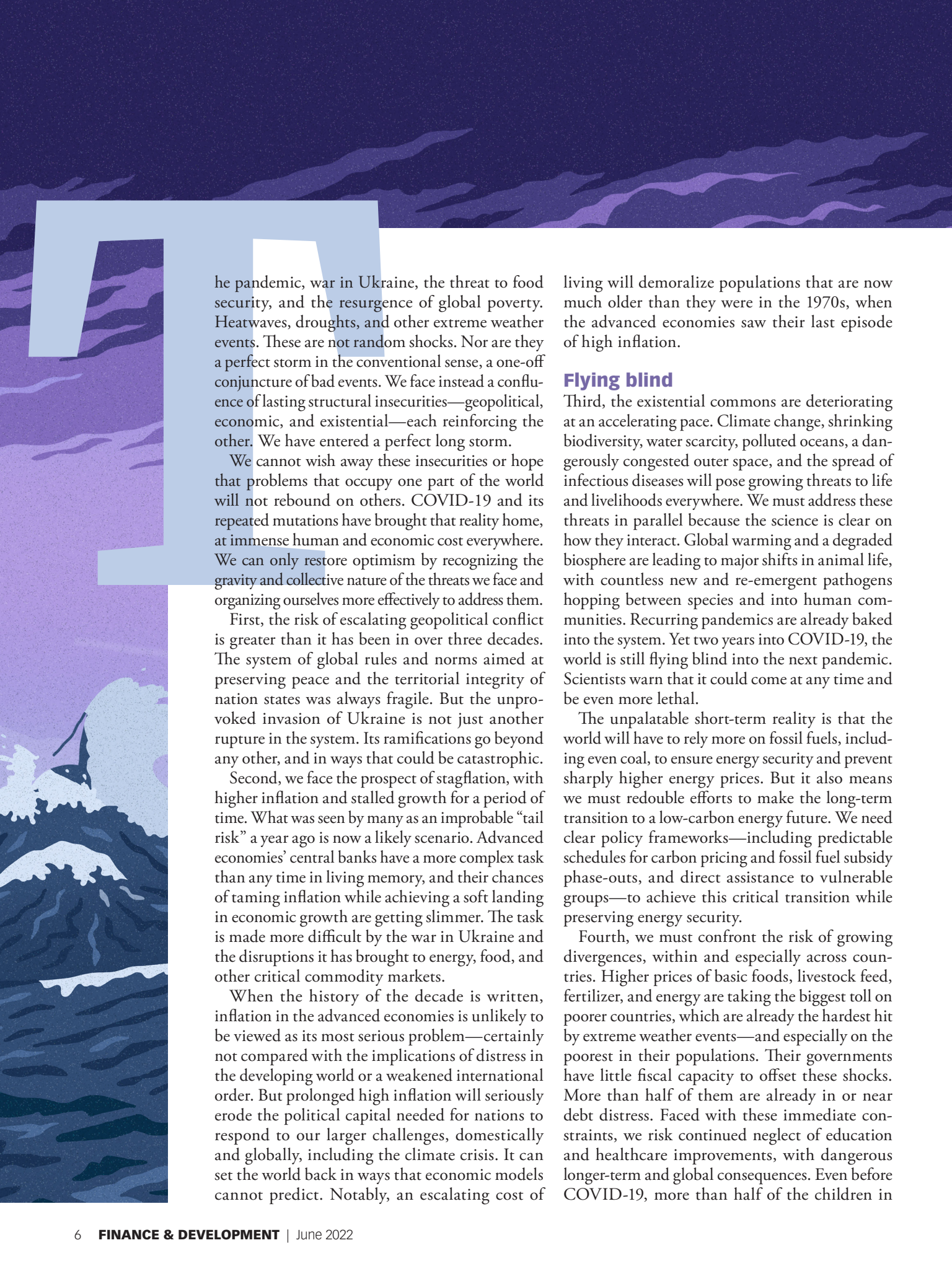
CONTINUING STORM

We must bridge growing divides and rewire multilateralism to serve both collective and national interests more effectively

Tharman Shanmugaratnam



ART: PETER REYNOLDS



The pandemic, war in Ukraine, the threat to food security, and the resurgence of global poverty. Heatwaves, droughts, and other extreme weather events. These are not random shocks. Nor are they a perfect storm in the conventional sense, a one-off conjuncture of bad events. We face instead a confluence of lasting structural insecurities—geopolitical, economic, and existential—each reinforcing the other. We have entered a perfect long storm.

We cannot wish away these insecurities or hope that problems that occupy one part of the world will not rebound on others. COVID-19 and its repeated mutations have brought that reality home, at immense human and economic cost everywhere. We can only restore optimism by recognizing the gravity and collective nature of the threats we face and organizing ourselves more effectively to address them.

First, the risk of escalating geopolitical conflict is greater than it has been in over three decades. The system of global rules and norms aimed at preserving peace and the territorial integrity of nation states was always fragile. But the unprovoked invasion of Ukraine is not just another rupture in the system. Its ramifications go beyond any other, and in ways that could be catastrophic.

Second, we face the prospect of stagflation, with higher inflation and stalled growth for a period of time. What was seen by many as an improbable “tail risk” a year ago is now a likely scenario. Advanced economies’ central banks have a more complex task than any time in living memory, and their chances of taming inflation while achieving a soft landing in economic growth are getting slimmer. The task is made more difficult by the war in Ukraine and the disruptions it has brought to energy, food, and other critical commodity markets.

When the history of the decade is written, inflation in the advanced economies is unlikely to be viewed as its most serious problem—certainly not compared with the implications of distress in the developing world or a weakened international order. But prolonged high inflation will seriously erode the political capital needed for nations to respond to our larger challenges, domestically and globally, including the climate crisis. It can set the world back in ways that economic models cannot predict. Notably, an escalating cost of

living will demoralize populations that are now much older than they were in the 1970s, when the advanced economies saw their last episode of high inflation.

Flying blind

Third, the existential commons are deteriorating at an accelerating pace. Climate change, shrinking biodiversity, water scarcity, polluted oceans, a dangerously congested outer space, and the spread of infectious diseases will pose growing threats to life and livelihoods everywhere. We must address these threats in parallel because the science is clear on how they interact. Global warming and a degraded biosphere are leading to major shifts in animal life, with countless new and re-emergent pathogens hopping between species and into human communities. Recurring pandemics are already baked into the system. Yet two years into COVID-19, the world is still flying blind into the next pandemic. Scientists warn that it could come at any time and be even more lethal.

The unpalatable short-term reality is that the world will have to rely more on fossil fuels, including even coal, to ensure energy security and prevent sharply higher energy prices. But it also means we must redouble efforts to make the long-term transition to a low-carbon energy future. We need clear policy frameworks—including predictable schedules for carbon pricing and fossil fuel subsidy phase-outs, and direct assistance to vulnerable groups—to achieve this critical transition while preserving energy security.

Fourth, we must confront the risk of growing divergences, within and especially across countries. Higher prices of basic foods, livestock feed, fertilizer, and energy are taking the biggest toll on poorer countries, which are already the hardest hit by extreme weather events—and especially on the poorest in their populations. Their governments have little fiscal capacity to offset these shocks. More than half of them are already in or near debt distress. Faced with these immediate constraints, we risk continued neglect of education and healthcare improvements, with dangerous longer-term and global consequences. Even before COVID-19, more than half of the children in

low- and middle-income countries had not achieved basic literacy by age 10; the figure is now estimated to be as high as 70 percent. Girls especially have suffered large learning losses during the pandemic, with many not returning to school and millions being pushed into early marriage.

There is now a real prospect of rollback of the hard-earned economic and social gains that many of these developing countries made in the last two decades. It will risk permanent scarring of the young, further disempowerment of women, civil wars, and conflicts between neighboring states. Each of these would make it harder to address the world's most pressing challenges.

Financing global public goods

We must address these threats, not on the basis of scenarios that reflect our hopes but through a realistic appraisal of what could plausibly go wrong. COVID-19 and the Ukraine war were not black swan events. The full scale of these tragedies may not have been foreseen, but the risks had been blinking visibly on the radar for some time.

We must bring preparedness for threats, known or unknown, into the mainstream of public policy and collective thinking, just as regulators learned from the global financial crisis and sought to fortify financial buffers in advance of the next crisis.

We have to invest at significantly higher levels, over a sustained period, in the public goods needed to address the world's most pressing problems. We must make up for many years of underinvestment in a wide range of critical areas—from clean water and trained teachers in developing economies to upgrades of an aging logistics infrastructure in some of the most advanced economies. But we also have the opportunity now to spur a new wave of innovations to tackle the challenges of the global commons, from low-carbon construction materials, to advanced batteries and hydrogen electrolyzers, to combination vaccines aimed at protecting simultaneously against a range of pathogens.

To fund these investments we must embark on public-private collaboration on a scale never before adopted. Public sector finances will not be able to meet these needs on their own. As it is, debt-servicing costs will take an increasing

share of government revenues. Governments in the advanced world have also declared the end of the “peace dividend” that had prompted many of them to spend less on defense over several decades.

We must now reorient public finance, in partnership with philanthropic capital where possible, toward mobilizing private investment to meet the needs of the global commons. The world will need to invest an estimated \$100 to \$150 trillion

We must bring preparedness for threats, known or unknown, into the mainstream of public policy and collective thinking.

over the next 30 years to achieve net zero carbon emissions. That may sound daunting. But the \$3 to \$5 trillion annual cost is not a large percentage of the world's \$100 trillion capital markets, which grow by about that amount each year.

There is no lack of private and market finance. But channeling it to meet the needs of the commons requires a proactive public sector and well-designed frameworks for risk-sharing with the private sector. Policies and standards to rapidly scale up the deployment of clean energy technologies that are already proven, and to incentivize large scale infrastructural investments such as in smart transmission and distribution grids, will be critical to achieving significant cuts in emissions by 2030. However, almost half the technologies needed to reach net zero by mid-century are still being prototyped. Governments must put skin in the game to leverage private sector R&D, and promote demonstration projects, to accelerate the development of these technologies and bring them to market. Besides getting to net zero on time, they should aim to spur major new industries and job opportunities.

The social returns to protecting the global commons will typically be far in excess of the



We cannot address the challenges of this new era without a more effective multilateralism.

private returns, which makes a strong case for the public sector to share risks with private investors. Developing and producing vaccines at scale for the next pandemic is a strong illustration of the point. A project to immunize the world's population even six months earlier will save trillions of dollars and countless lives.

Making multilateralism work

However, we cannot address the challenges of this new era without a more effective multilateralism. UN Secretary-General António Guterres' report, *Our Common Agenda*, sets out a bold and credible vision of multilateralism: one that is more inclusive of different voices, more tightly networked, as well as more effective in delivering outcomes and hence more trusted.

It does not require a root and branch reconstruction of multilateralism or building entirely new institutions. But we have to move with urgency to reorient existing institutions for a new era, devise new mechanisms for networked cooperation among the multilaterals and other institutions including non-state players, and pool resources in ways that can meet both nations' collective interests and self-interests more effectively.

First, we need new thinking on the global commons. We must view money spent on strengthening them not as aid to the rest of the world but as an investment that benefits nations both rich and poor many times over. As the G20 High Level Independent Panel on financing pandemic security showed, the additional international investment required to plug major global gaps in preparedness, with contributions fairly distributed across countries, will not only be affordable for all but also enable us to avoid costs that would be several hundred times larger if we fail to act together to prevent another pandemic. The longstanding aversion to collective investment in pandemic preparedness

reflects political myopia and financial imprudence, which we must overcome urgently.

Updating Bretton Woods

Second, we must repurpose the Bretton Woods institutions. The IMF and World Bank were set up almost 80 years ago to help with problems faced by countries individually, at a time when financial markets were mostly small and not interconnected. Their missions must be brought up to date for an era where financial crises are often global in nature, and where the deterioration of the global commons will pose an increasing economic challenge to all countries, most especially in the developing world.

The IMF and World Bank must be better resourced and empowered by their shareholders to make larger and swifter interventions in this new global era. The IMF must be given the mandate to manage a stronger and more effective global financial safety net, more akin to how the leading central banks inject stability at home when a crisis hits. The global commons must be placed at the core of the World Bank's mandate, together with poverty alleviation. It must also play a much bolder role as a multiplier of development finance. It must pivot more boldly toward mobilizing private capital, using risk guarantees and other credit-enhancement tools rather than direct lending on its own balance sheet. The World Bank and IMF must also work to join up operations with other international financial institutions and development partners to overcome today's fragmented efforts, build convergence around core standards such as on debt sustainability and procurement, and achieve greater development impact.

Third, we have to safeguard the digital commons. The positive agenda is clear. We must build the infrastructure and policy frameworks needed to close the digital divide and make serious efforts to close digital literacy gaps in every society. But we

must also build guardrails to make the internet safe for democracy and align online platforms with the public interest. We do not yet have global rules or norms to counter industrial-scale disinformation or systematic efforts to spread distrust. The European Union's new Digital Services Act, aimed at forcing online platforms to remove misinformation and hate, is a major step forward. Similar approaches are being taken in nations like the United Kingdom, Singapore and Australia.

We must also address the growing challenge of cyberattacks and its impact on international peace and security. Countries have adopted a set of norms and rules for responsible state behavior in cyberspace. The challenge is to implement them in a sustained manner, even during moments of geopolitical tension.

Avoiding polarization

Fourth, a more effective multilateral system will require fresh strategic understanding between major nations, most important, between the United States and China, as the world shifts irreversibly toward multipolarity. This new understanding must be shaped by their overarching common interests—in climate and pandemic security, peace, and the avoidance of global financial crises. It will require considerable geostrategic skill, as well as more active strategies to create good jobs and broad-based opportunities at home, so as to rebuild the domestic political foundations for economic openness.

We must update the rules of the game to ensure fair competition and resilient supply chains without retreating from an open and integrated order that is vital to each nation's rate of innovation, growth, and long-term security. COVID-19 is accelerating the move by businesses toward more diversified global supply chains, in fact to the benefit of several developing economies, but global sourcing remains as important today as it was before the pandemic. Trade between the United States and China remains hugely beneficial to both.

We can be under no illusion that an integrated global order, with its deep economic interconnections between nations, will on its own assure us of peace. But economic interdependence between the major powers, save for sectors impinging on

national security, will make conflict far less likely than in a world of increasingly decoupled markets, technologies, payment systems, or data.

We must take the long view. Our overriding priority must be to accommodate a multipolar world without becoming more polarized. A more polarized and fragmented world will ultimately weaken all nations, including the largest ones, and make it difficult if not impossible to meet the interests that all of humanity shares: in a safe, sustainable, and prosperous world, inclusive and equitable for all. [FD](#)

THARMAN SHANMUGARATNAM is senior minister, Singapore. He is a member of the UN Secretary-General's High-Level Advisory Board on Effective Multilateralism and co-chairs the recently launched Global Commission on the Economics of Water. He chaired the G20 Eminent Persons Group on Global Financial Governance and co-chaired the G20 High Level Independent Panel on financing pandemic security.

