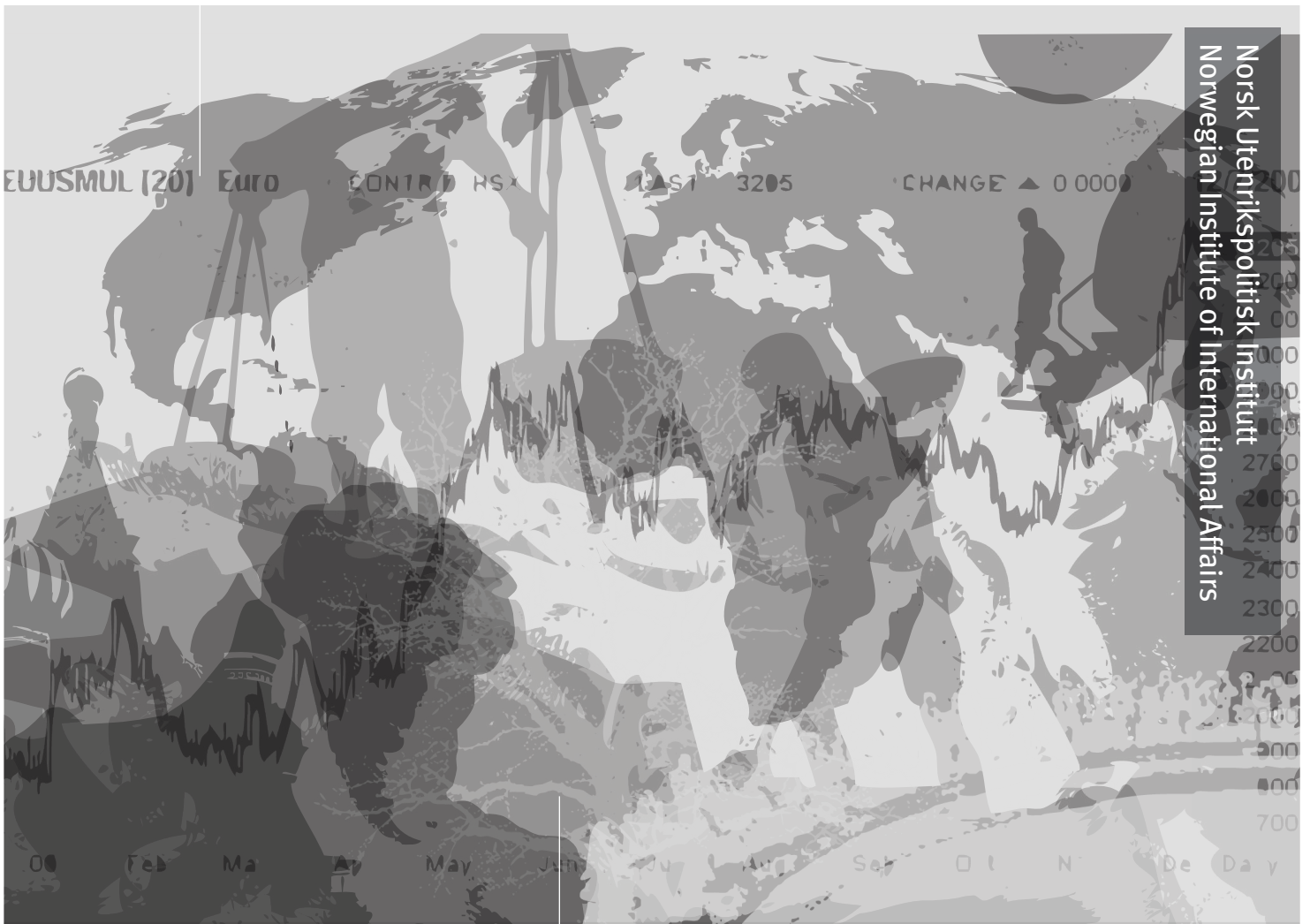


Global Changes and Norwegian Foreign and Development Policy 2010–2020

Morten Skumsrud Andersen, Iver B. Neumann,
Leonard Seabrooke and Ole Jacob Sending



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**A report prepared for the Norwegian Ministry
of Foreign Affairs**

**Morten Skumsrud Andersen, Iver B. Neumann,
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Executive Summary

This report sheds light on some global trends that are likely to have an impact on Norwegian foreign- and development policy in the coming decade. Overall, we see a continuing trend away from bilateral diplomacy towards networking of diplomats and non-diplomats, and a trend away from international anarchy towards international hierarchy. Decision-making power, alliances, and innovation in governance will increasingly take place within transnational networks organized around specific issue-areas. Such networks are often tied in with states or formal organizations, such as the UN or the World Bank, but any one actor does not dominate them. While we still expect that liberal principles will dominate, the free operation of markets is no longer seen as the standard against which other forms of governing must be assessed. Moreover, emerging powers' governing principles are likely to shape debates about appropriate forms of global governance. We expect, moreover, to see widespread "hybridization" in the form of the merging of issue-areas (i.e. "security-development nexus") and new types of actors (i.e. public-private partnerships).

The global economy: The financial crisis has exacerbated the structural challenge of addressing debt (especially in some EU countries, in the US, and in Japan). It has also underlined the growing importance of emerging economies, particularly China. "In a more long-term perspective, many OECD countries will be facing difficult choices of how to reduce public debt and at the same time sustain current welfare systems with low fertility levels or increased migration (and the politics that accompany both choices). Norway's robust economy creates some leverage in international politics, and will continue to do so in the near future. In the long term, lack of investment in renewable energy sources may undercut Norway's economic and thus political clout in the global arena. Norway's foreign- and development policy seems to be torn between emancipatory and pragmatic policy aims. Emancipatory politics, such as supporting development in Africa, highlighting humanitarian aid and abetting human rights are a source of international prestige. As long as the United States are also focussed on such emancipatory policies, Norway's liberally oriented efforts at social engineering also helps promote bilateral relations with the US and European partners. On the other hand, there are good pragmatic reasons why Norway should lower its profile in this regard, and rather refocus foreign economic and development policy towards the rising powers (China, India, Brazil, etc). The way around this dilemma is probably to build up expertise on and social interfaces with the rising powers, so that we have channels through which to gauge how much emancipatory politics may be pursued at relatively low costs, and also pursue damage limitation when needed.

Global power changes: Asia will exemplify most of the global trends to be expected over the coming years and decades, but the US is not in decline, and we are not headed towards a genuine multipolar world anytime soon. The EU will be constrained by economic challenges in the coming decade, and will be pressed to address internal divisions in an international context where the EU's relative power is in decline. Nonetheless, the EU's innovation in governance methods – experimental governance – will be a source of strength in adapting to and allying with new types of actors on the global arena. Non-state agents are increasingly important because state policies will inevitably involve working with, through, and towards such actors organized in transnational networks. International Organizations will have less institutionalized authority than in the past. This presents Norway with a dilemma. It is good realpolitik for small states like Norway to be supportive of strong international players and organizations, because in-

stitutionalization enhances the leeway for small states by making know-how and other concrete resources count for more. This points Norway in the direction of supporting IOs as major players in global politics. On the other hand, if the overall trend is towards networking between different kinds of agents, and if the authority and legitimacy of IOs will depend increasingly on success in orchestrating developments in its operational environment, then IOs will in a number of cases have to take a back seat to other actors in order to get the job done. As such, it may be counterproductive for Norway simply to support IOs on principle. Rather, support may have to be forthcoming on a case-to-case basis.

Security: Chances of a major great-power conflict seem to be low. A nuclear Iran is a major concern, but the detrimental security effects of a nuclear Iran are probably less than feared. The demand for energy, and the search for energy security, will almost certainly be a structural overlay for international politics for a considerable period, but will not spill over into interstate conflicts. Control over the “global commons” (cyber space, open seas, outer space) is likely to become a more central security issue. In particular, cyber security will become more central, as recent “cyber warfare” and public opinion in both China and the US show. Since the US remains by far the most important power, there is no basic power-political reason for changing the overall Atlantic direction of Norwegian foreign policy. However, Norway’s strong attachment to the US calls for a matching attachment to the EU, and for a strong interest in the rising powers. Norway should ideally run a set of cooperational projects with rising powers. The size of this portfolio should mirror the importance of these states.

Climate and the environment: Complexity and the number of intended and unintended consequences affecting the environment will become increasingly difficult to manage. The UN shows significant weaknesses in global environmental governance. It is the EU, not the UN, which organizes the money needed to help developing countries pay for new technology and adapt to climate change. Climate reparations and investment in green technologies and portfolios related to the conservation of ecosystems abroad are efficient strategies for Norway.

Development: With large-scale programmes of social engineering under pressure, new arenas for improving lives and helping restructure states are likely to emerge. These will increasingly be based on pragmatic partnerships and policies. Norway is well positioned to help shape the contents of a new paradigm of development policy given its concrete and long-term commitment to development, dialogue, peace- and reconciliation work, investment in peace operations and peace building efforts. In shaping this new paradigm, the government will be constrained by the Norwegian home constituency and by increasing demands concerning audits, benchmarking and reporting that may easily take the focus away from concrete goal attainment.

Norway’s timely investment in a humanitarian portfolio, including disaster relief and facilitating, allows Norway the role of information broker in a global context. In contexts where information is scarce and ambiguous, the need for brokers will be high. Norway’s central position as a trusted broker will only be maintained if this position can be maintained through the paradigm shift that is likely in the making from social engineering to a more pragmatic focus. Increasingly pragmatic policies by ever more important emerging powers such as China and India may undermine the market value of Norway’s positions, which is at present strongly linked to the liberal regime that these actors are partly challenging.

Norway faces a balancing act. The focus should be on hatching policies that will orchestrate effective governance with and through non-state actors. This must be done, however, without marginalizing the centrality of established international institutions such as the UN. The UN is a valuable tool, but it requires updating. Its legitimacy is increasingly being challenged. Other arenas such as the G20 are emerging, and might prove more effective in delivering the goods. Moreover, new ideas seem to flourish better in transnational networks of governmental and non-governmental professional actors with shared interests and complementary expertise. Norway should give priority to harnessing the power of such network to innovate on governance and bringing them into contact with the UN system. For this to happen there is a need to uphold and preferably increase our presence within the UN system, and to interact more with emerging powers on both state and non-state arenas

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APRIL 2010

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Introduction

What are the effects of the global financial crisis on global and Norwegian development aid policy? How are the arenas in which Norway is promoting its interest affected by a potential power shift from the West towards the East? What status and role will international organizations central to Norwegian foreign- and development policy, assume or retain in the context of new arenas and processes, like the G20? How are the arenas within which development policy is formulated, affected? The answer to these questions will have a decisive impact on Norwegian foreign- and development policies.

Since coherent and assertive answers to such wide-ranging questions are almost by definition beyond our reach, this report is not in any sense of the word a prediction. It is logically impossible to explore the future empirically, but grounding the report in current empirical patterns might facilitate and make more realistic the narratives about what might come. This document is intended to be challenging, to creatively explore possibilities for the future, so that we do not only have to react to those changes on a first-come-first-serve basis. The report tries to strike a balance between empirical knowledge of the present on the

one hand, and forecasting possible scenarios for the future towards 2020, on the other. We draw on stored academic knowledge and on research carried out specifically for this report.

The report is therefore not meant to be a thorough, empirical investigation of specific issues, but rather a tool for discussion about what future trends might look like and what they may imply for Norwegian foreign- and development policy. The idea is that the report may serve as a launching-point for discussions about how Norwegian policy should be formulated, prioritized and managed.

The report is not comprehensive, but deals instead with changes in a few select areas: the global economy, the global distribution of power, changes in security threats, challenges in climate governance, and trends in the broader development agenda. The report moreover discusses two crosscutting trends having to do with a likely shift towards more networked modes of governance, and more hybridization, by which we mean the blurring of boundaries between established types of actors (public and private) and types of governance (state based and market based).

In the concluding section, we raise some broader questions about Norwegian foreign- and development policy and reflect on the changing role of the diplomat.

1. Global economic outlook and effects of the financial crisis

The international financial crisis of 2007-2009 differed from crises of earlier decades in that it came from within the states of the Organisation for Economic Co-operation and Development (OECD) rather than from within emerging markets. The crisis has engendered a rethinking of what is appropriate financial regulation and has spurred a reassertion of national governments through the extension of 'bail-outs' for domestic financial systems across the Western world. The challenges facing the Euro notwithstanding, the crisis has not and is not likely to cause major political crises, or state bankruptcies.

Within OECD states, and within International Organisations, there has been much debate about how to institute macro prudential regulation - that is, on a structural level - in financial systems so that boom/bust excesses can be curbed. Debates about 'right-sizing' financial systems emerged with the financial press and the transnational policy community, as well as discussions about the importance of 'host' versus 'home' regulations - especially following the Icelandic scandal and the UK's invoking of anti-terror laws to freeze assets. Much of this debate has centred on the complexity of financial instruments and means to handle them. At the same time, financial innovations such as securitization are being actively maintained and restarted in the Anglophone economies where the 'subprime' markets developed. Quasi-public institutions, such as Fannie Mae, are also being resuscitated due to a political need for institutions that can support what can be understood as an Anglo-Nordic growth model based on debt and consumption. Across the OECD zone the crisis invoked a return to Keynesian stabilization policies, which were already in effect for particular sectors experiencing 'surplus capacity' problems, such as the automotive industry. The crisis extended this economic

policy behaviour to the financial sector at a much larger scale, as well as for the economy as a whole. Current debates on 'new economic thinking' have not produced a consensus thus far. Nor is one foreseeable.

OECD economies are engaging in a process of 'muddling through' in finding ways to recovery. There is no single solution here. Take for example, two 'champions' that have not seen as crisis: Australia and Canada. Both have claimed supremacy in policymaking and regulation over their financial systems even though their systems diverge in the size of the non-bank sector. In short, no one model predominates and the national objectives are back in the spotlight. This may be seen in a democratic light - that since the crisis has emerged in democracies and tax monies have been used by under the notion that while finance is global in boom periods, bank funerals during the bust are strictly national affairs.

“Little will be done through large multilateral forums on toughening international financial regulation”

In developing countries, the crisis has had a clear negative impact on export earnings, growth, and unemployment. The crisis has been similar to the early-1980s crisis in hitting developing countries at a time when there was surplus capacity in many international markets, leading to a tightening of demand for export goods. The key difference is that removing mediators from the supply chain, what is called disintermediation, of past decades has made emerging and frontier economies much less dependent on international bank lending and more reliant on short-term debt securities. The current and medium-term constraints for developing countries are the same now as in the past. Historically, developing countries bounce back from crises faster than developed countries, and recovery from this crisis should prove that once more. The IMF and the World Bank projects, for

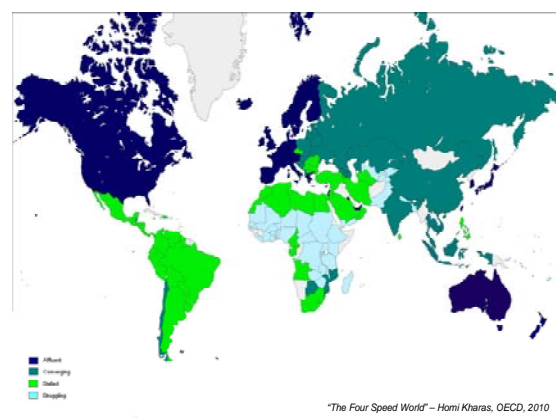
example, that economic growth in developing countries will accelerate from 2.4 in 2009 to 6.3 per cent in 2010 (IMF-WB 2010). That said, the financial crisis has negatively affected developing countries in numerous ways. One estimate is that 53 million more people will remain extremely poor because of the crisis (ibid.). Moreover, due to their weaker fiscal structures and revenue, developing countries tend to lose government revenue in crises and then have to borrow, which then contributes to new debt. This is a likely scenario from the current crisis.

The crisis has provided an opportunity for the Bretton Woods institutions to reassert some of their authority. The impact of the crisis on a number of European countries has raised the issue of whether European countries should lend from the International Monetary Fund (IMF). The Icelandic case further exemplifies the opportunities and constraints for the older Bretton Woods institutions. While crisis recovery is one matter, these institutions lack authority on issues such as financial reform – where the mandate will be passed to the Financial Stability Board (FSB). We expect very little to happen on international financial reform with respect to ‘hard law’ changes, given political sensitivities within OECD countries. While ‘soft law’ on tracing financial institutions behaviour will increase through the FSB and at regional levels, little will be done through large multilateral forums on toughening international financial regulation.

For the IMF and the World Bank a more serious issue regards the role of the market within their development and capacity building frameworks and programmes. In particular, the drive for transparency and benchmarking on economic regulations must be questioned. Is it better to build capacities within closed environments, so as to promote easier knowledge transfers? Or is it better to rely on external peer pres-

sure for conformity? Such debates should take place in the coming decade.

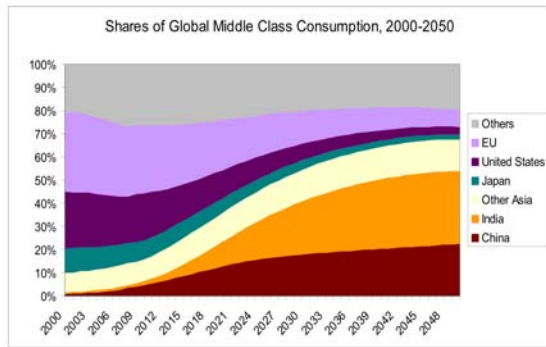
For economic recovery, most forecasts in the previous six months have added optimism rather than pessimism. Recent research has shown that the number of people living in poverty has decreased in the last decade and will continue to do so (even if an increase was identified immediately after the crisis). Economically, the OECD zone will remain affluent, and China, India and potentially Russia will converge more towards Western standings of living. In the Middle East, Latin America and North Africa the expectations are somewhat lower, with curtailed or stagnated growth. The worst affected areas, which will continue to experience extreme poverty, are in Sub-Saharan Africa.



Economy – Implications for Norwegian Development Policy

African countries’ needs are great and should continue to be the focus for Norwegian development policy. In China and India projected growth rates will lead to the emergence of a large middle class by 2025, while the middle classes in Japan and middle Europe will decline.

Figure 7. India and China Make Waves in the Global Middle Class



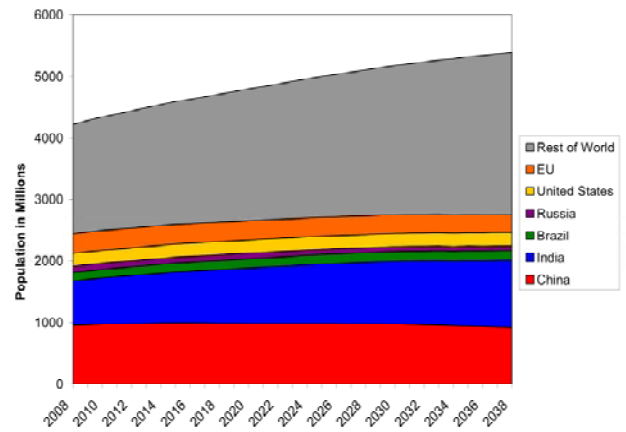
Part of the story here is simply fertility rates: Within the OECD the US leads the fertility table with 2.05 children per woman (almost at the replacement level of 2.1), while Norway has 1.78. All of the OECD countries with a fertility rate of higher than 1.8, with the exception of France, are Nordic or Anglophone (CIA 2010). They are high-welfare or high-migration societies.

“Norway has a choice between emancipatory and pragmatic policy aims”

Despite concerns about intergenerational equity, these societies will have fewer problems in sustaining their welfare systems and capacity to support overseas development goals from the fiscal pot. In the least fertile countries, such as Japan and South Korea (both 1.21 births per woman) and Southern Europe, maintaining their welfare and pension systems will be extremely difficult and their capacity to support their own development objectives increasing on the wane. We should also consider China’s importance in this light. Given the extremely low fertility in its urban centres (0.6 births per woman in Shanghai City), we are likely to see a large skills gap as the current generation of thirty and forty-somethings retire and rural Chinese children are up-skilled. Add to this the high debt-levels that characterize many of these economies, and we get a gloomy picture of the economic prospects in these countries. Countries with high rates of

poverty, weak infrastructure, and high birth rates, such as those in Sub-Saharan Africa (with around six births per woman) will continue to suffer in coming decades.

Figure 4. The Global Labour Force, 2008 to 2039



Norway has a choice between value based (or “emancipatory”) and pragmatic policy aims. To refocus foreign economic and development policy towards China and the BRIC countries in general is a pragmatic response to rising powers. To continue with emancipatory aims, such as supporting development in Africa, would be more in accordance with Norway’s liberal values, a source of international prestige, and in accordance with the normative position of the U.S. Here economic and security aims must be considered together.

Norway's choice between emancipatory and pragmatic strategies should also consider that we are likely to see a period of introspection and reshuffling in supranational and consensus-driven multilateral regimes. Within Europe, the Greek debt crisis has alarmed the region to the notion that the EU is a political union that includes economies with emerging market characteristics, not only the industrial powerhouses or service-driven economies of the north-west. The Greek crisis has exposed the EU's lack of enforcement mechanisms and brought the reintroduction of the IMF into the European heartland for the first time since the mid-1970s. Europe's

political centre, Brussels, will have to re-align with its economic centre, Germany, along with voices from the south in the coming years. For the World Trade Organisation the failure of the Doha round and proliferation of Preferential Trade Agreements (PTAs) means the end of upbeat trade multilateralism and an ongoing period whereby countries, including Norway, will continue to try to lock countries with comparative advantages in resources and labour into bilateral investment treaties (BITs) and PTAs.

2. Global power and international organizations

Asia will exemplify most of the global trends to be expected over the coming years and decades. China and India, and perhaps also Brazil and Indonesia, will transform well-known geographical groupings and categories as East, West, North, South, and bring new stakes and rules of the game. The growth of Chinese and Indian middle classes will develop a new transnationalism while economic and population pressures within the OECD countries will see a reassertion rather than weakening of state power. In addition, increasingly globalized firms will be more Asian in orientation to access the new middle classes, and will be key agents of change. In short, globalization will be increasingly non-western, and the concept will increasingly move away from being coupled with “Americanization”. This may lead to a form of globalization where cultural affinity is more important than basic economic opportunity. Related to such a development, what are the main questions facing Norwegian policy?

The States system

With hindsight, the culmination of the post-Second World War economic boom and the US defeat in the Vietnam marked the beginning of the end of a Euro-centric world order. In 1979, China began a reorientation towards a market economy. Ten years later, India followed. The end of the Cold War meant the end of the bipolar states system as well. Some twenty years later, we know that economic, political and cultural globalization brought with it two phenomena: a growing challenge from other great powers and widespread hybridization (see below).

The transfer of capital from the West to the East will continue, but many Asian countries, above all China, will face drastic increases in ageing populations. Indonesia

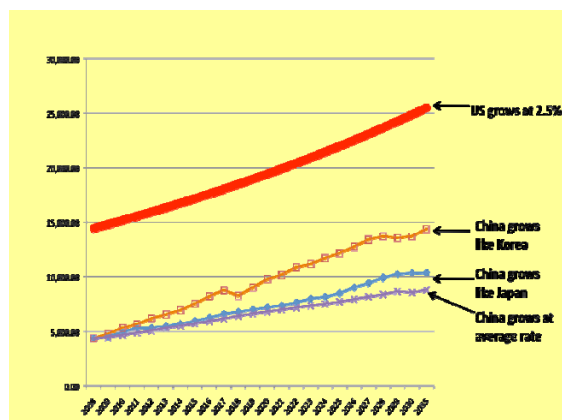
experiences an economic growth of 6-7 percent, and has a rapidly growing population. In time, this will make it one of the world's largest developing economies. China and India are undergoing massive military build-ups. China, for one, is developing advanced weapons, aircraft carriers, submarines, and (underground) submarine bases, increasingly in cooperation with other aspiring great powers like Brazil. Other powers will try to accommodate.

“The US is not necessarily in decline, and we are not headed towards a genuine multipolar world”

As regards China, however, a political transition is probably coming in 2012, and it may be approaching an economic transition not very long after. Saving rates are on the rise in the US, potentially hampering China's export-led growth model. The often referred to fact that China holds so many dollars is perceived to be a source of power, but this is not necessarily so. The interdependence in the economic relationship is symmetrical. When interdependence is balanced, it does not itself constitute a source of power. The dollar is likely to remain the major global reserve currency, owing to the depth and breadth of America's capital markets. There are moreover good reasons to measure global power positions in much broader terms than merely economic and military ones. The US' position in the international system, historically and today, is fundamentally determined by the number of alliances it can draw upon, which by far outnumbers that of China (Ikenberry 2010). This is not to say that the US will dominate as before, only that to gauge global power shifts, political capital (measured by number and strength of alliances) is important, and the US here clearly outperforms China.

There are also good reasons to interpret the growth trajectories of the US and China in ways that depart from the conventional wisdom about China's predicted global

dominance. The US is not necessarily in decline, and we are not headed towards a genuine multipolar world anytime soon (Brookes and Wohlforth 2008). U.S. analysts and others have been predicting decline regularly over the years. Nevertheless, if we assume that China will follow the growth trajectories of two of the most rapidly growing nations in the past, Korea and Japan, the relative gap in GDP figures will probably not have narrowed considerably by 2020 or even by 2030. Moreover, the US is still ahead of China in innovative capacity and is by the World Economic Forum considered the second most competitive economy, with China some 30 places below.



Source: Brooks&Wohlforth 2008

Nevertheless, the relations between the US on the one hand, and China and Europe on the other, are likely to be a determining factor in world politics over the next decade. More broadly, a central drama concerns rising powers *en bloc*, often associated with the BRIC category (Brazil, Russia, India, China). We contend, however, that it is better to leave Russia out of this equation as far as global power is concerned. As a neighboring country to Norway Russia is of great importance, but its significance on the global level is limited solely to its nuclear arsenal and its petroleum exports. Russia's economic exertion is limited to raw material exports and sunset industries, and no effort is invested to make the domestic political and economic system ready for a globalized market place.

During the next ten years, Russia will have nuisance power, nothing more. The US also seems to view matters this way, and is likely to treat Russia accordingly (see Box 1).

Box 1:

Russia and the US reactions to the Icelandic financial crisis

When Russia stepped up to the plate and proposed a loan, Iceland immediately broke the news to the US, expecting the US to better the Russian proposition. The US answer was simply to take note of the Russian offer, and to underline that Washington was glad that someone had offered to help. Iceland's attempt at playing Cold War politics had failed, for the simple reason that Iceland's role as an unsinkable aircraft carrier, so important during the Cold War, was now held to be of very little relevance as seen from Washington. There is a lesson to be drawn by Norwegian decision makers here. During the Cold War, as did Iceland, Norway received large economic transfers in order to build airports and to be ready as a tripwire in the case of a Soviet attack in other ways. With the US interest in Russia being at its lowest ebb for eighty years, there is little room for Norway to play the Russia card in order to be an interlocutor valuable for the US. Interestingly, one of the most important cards that Norway has, raw intelligence data garnered from Vardø and elsewhere, is not interesting only for what it may tell about Russia, but also for the light it sheds on matters further afield.

The European Union is more likely than not to lose its global position relative to other great powers. With a shift from a transatlantic focus to the relations between China and the US, Europe is no longer the default option for hammering out global deals. This was put on display during the

negotiations over climate policies in Copenhagen in the fall of 2009. Part of the reason for the EU's relative marginalization are therefore of a structural (although not given) nature. Nevertheless, part of it has to do with internal political dynamics, with the Union's latest territorial expansion consuming a lot of political energy. Moreover, there are indications that core states, like Germany, have shifted from being a consensus-oriented engine of the European project to a more assertive one, concerned with its relative burden for the European project. Moreover, the EU flourished in the geopolitical space that emerged after the end of the Cold War, which was dominated by liberal values propagated by Europe and the US. With new powers on the rise that selectively resist and challenge these liberal values, the global political landscape might not be conducive to Europe's strength as a global actor. Still, the European experiment with new forms of governance – the “Open Method of Coordination” from 2000 being but one example (see e.g. Borrås and Jacobsson 2004) – are being adopted in a variety of transnational governance networks, operating outside of or parallel with traditional institutional structures. This offers the EU resources that can be marshaled to lead in innovating new forms of governing, including reforms of established international institutions. Moreover, as in the past, the EU is more likely than not to be able to put together a common foreign policy once major internal challenges have been resolved. This of course hinges on the EU member states being able to overcome internal differences, but given the economic and political investments already made in the European project, there are good reasons to believe that this will be achieved.

International Organizations as actors

International Organizations (IOs) are facing the challenge of managing a diversity of global problems without getting overwhelmed and overstretched. Particularly

regionally based organizations are facing the challenge of increasingly complex transnational threats and issues. UN and other post WWII creations risk becoming irrelevant unless they adapt to the fundamental changes in the operations of the global system and the rise of new powers and actors (see Reinicke and Deng 2000). The growth in new, often private, actors that operate effectively at the country level in development policy is a challenge to the traditional and institutionalized authority of IOs. Another challenge concerns legitimacy. If IOs are to be seen as the natural site for negotiations and governance between state, bringing in and catering to the interests of new powers, like the BRIC countries, is of vital importance. The G20 poses a challenge in this respect, but there is also a tendency for the negotiations conducted within the UN to become much more fragmented and organized into informal and closed “groups” (observe e.g. the “battles” between the G77, “western” countries and the secretariat within the UN 5th committee).

“There is an array of new areas for influencing and setting the agenda. Private companies, foundations, NGOs and regimes are creating governance paradigms involving states, rather than the other way around”

Non-state processes and actors are proliferating, and one can observe an increasing consolidation of standardized models of transnational rule making. Environmental governance is one of the areas where genuine global governance is on the rise, with the involvement of an array of non-state actors not only contributing but also fundamentally setting up the rules of the game. “Global sustainability managers” are emerging as a profession, and the blueprints for nation-state involvement are more often than not drawn in the international community (Dingwerth and Pattberg 2009).

All of this is happening in the absence of a centralized organization and points to the informal network properties of global governance. This means that there is an array of new areas for influencing and setting the agenda. Private companies, foundations, NGOs and regimes are creating governance paradigms involving states, rather than the other way around.

In conclusion, with a proliferation of actors and policy networks operating outside of the institutionalized spheres of states and other collective organizations, International Organizations will have less institutionalized authority than in the past. The authority and legitimacy of IOs will increasingly depend on developments in their environments and their ability to bring about change in those environments. As transnational governance networks increasingly become of key importance to authority and influence, making IOs stronger requires making them effective hubs for such networks of experts, diplomats, bureaucrats, advocates etc. State and non-state actors will increasingly operate outside of formalized international organizations. Ad-hoc and parallel negotiations with smaller groups of states, or actors other than states and organizations, will be more important in the future.

To this is added some obvious inefficiencies of the UN system as an operational entity. It is particularly challenged on the environment, peacekeeping, and on energy (see below).

Implications for Norway

Norway has been and still is a client state of the US. This was more clearly exposed during George W. Bush's period in office, but despite a change of style, the basics of US foreign policy and Norway's role relating to this has not changed from the last presidential term, or even further back.

Looking beyond 2020, however, the beginning of the start of positioning Norway before emerging countries should be now. This is not because of any immediate need, but as a necessary long-term investment in lines of communications with rising powers. Norway needs to develop further the "social interface" with other states and peoples. It takes decades to establish contacts and expertise, and particularly so in places like China or India, where the investments needed in knowledge of language, history and social mores is substantial.

International Organizations will have less institutionalized authority than in the past. This presents Norway with a dilemma. It is good realpolitik for small states like Norway to be supportive of strong international players and organizations, because institutionalization enhances the leeway for small states by making know-how and other concrete resources count for more. This points Norway in the direction of supporting IOs as major players in global politics. On the other hand, if the overall trend is towards networking between different kinds of agents, and if the authority and legitimacy of IOs will depend increasingly on success in orchestrating developments in its operational environment, then IOs will in a number of cases have to take a back seat to other actors in order to get the job done. Therefore, it may be counterproductive for Norway to support IOs on principle. Rather, support may have to be forthcoming on a case-to-case basis.

"It may be counterproductive for Norway to support IOs on principle. Rather, support may have to be forthcoming on a case-to-case basis"

The UN's symbolic role as the most legitimate world institution to date makes it a continuing focus for a small state seeking increased order in global politics. Nor-

way's continued investment in the UN provides the country with symbolic capital. On the other hand, the UN is also a working, operational entity, supposed to deliver efficiently. The UN's symbolic capital is not alone enough to legitimate the concrete work of programmes like the UNDP, WFP, UNHABITAT and so on, which operate independently in the field. These programmes are not always capable of efficient delivery on its promises. As a financial contributor, Norway can harvest symbolic capital, but Norway cannot necessarily increase that capital by channelling money to programmes that do not work as promised. Norway needs to pay more attention to questions of efficiency, so that associations with inefficient programmes do not undermine the investment in overall symbolic capital.

A pressing need associated with the new agents of global governance, is to integrate the global with the regional in the UN system. This should be a core task for Norway in the years to come as an influential member in the UN. There exists a degree of cooperation between regional organizations, but there are few channels of communication or streamlining between the UN and regional organizations like ASEAN, the EU, OAS, the Arab League, and the AU. The UN should aim to associate more closely with these organizations. Working towards integrative mechanisms in this regard, including advocating for a forum in which the UN and regional organizations can meet and confer, would be an efficient Norwegian intervention. This would also provide Norway with a new channel through which it may learn and exchange views with the EU, a development that is always welcome not the least where coordination of Norwegian and EU development policies are concerned.

3. Security

Security and geopolitics

As laid out in the preceding section, global power dynamics are changing. Rather than this resulting in one power becoming dominant, however, we expect to see an extended period where the major powers - the US and China in particular, but also India and the EU - have issue-specific and thus fragmented as opposed to uniform dominance. However, chances of a major great-power conflict seem to be low. The most discussed scenario, where the United States would attack China preemptively in order to halt its rise, possibly connected to Taiwan, seems to be much too costly to be realistic. On this side of 2020, tensions will continue to focus on how the US accommodates the rise of Brazil, India and China, and Russia's attempts at being noticed, and probably even more on how the US will try to keep new challenges to the present world order from emerging.

As regards the European Union, it will have limited time and resources to enhance its capability of acting more assertively outside of its borders, and might even be weakened in this respect in the medium term. However, as the "vertical" integration proceeds, a focus on its internal/external relations might resurge. This might make the Union into a stronger actor on the global stage.

Nuclear material is a central, "traditional" security concern that will continue to be high on the global security agenda in the coming decade. The April 2010 Nuclear Summit in Washington DC marked a first important step towards greater nuclear security, committing states to increased efforts to gain control over their nuclear material. The summit was aimed at addressing the threat of nuclear terrorist attacks, and forms a part of the broader non-proliferation agenda of the current US President, set out shortly after he took of-

office. While there is progress on this front, Iran seems recklessly determined to acquire nuclear capacity. Even if the US should allow Israel the use of Iraqi air space and a run at the installations, which is a possibility, Iran has learnt from previous Israeli attacks and is conducting most of the work underground. Re-building would probably start immediately after a potential destruction, meaning that an Israeli attack would not solve the problem, but simply postpone it. In a young nation where unemployment is high, Iran's present regime seems to be living dangerously. A nuclear capability may give a boost to national pride, and so help to keep the regime in power. Judging by the situation in Pakistan, however, another regime ridden by ethnic and religious tensions, a significant pay-off of a nuclear capability may prove a chimera. In short, a nuclear Iran is a major concern, but the detrimental security effects of a nuclear Iran are probably less than feared or assumed. An important part of the motivation for the nuclear programme seems to rest with matters of domestic legitimacy and Iran's, and hence Shiite, standing within the Muslim world.

As concerns North Korea, the regime's consuming focus seems to be to keep the outside world at bay. The result is an ongoing humanitarian catastrophe but despite the Cheonan warship incident, we see few structural factors that are likely to make for any fundamental changes on this side of 2020.

"Failed states" and security

After the wars in Iraq and Afghanistan, the US as well as "the West" seems to have lost moral authority, and a capacity to act as "norm entrepreneurs" on the global stage (Finnemore and Sikkink 1998). The situation will probably be exacerbated when "the West" scales down its efforts in Afghanistan and in Iraq. Futile attempts to stop Iran from achieving nuclear capacity

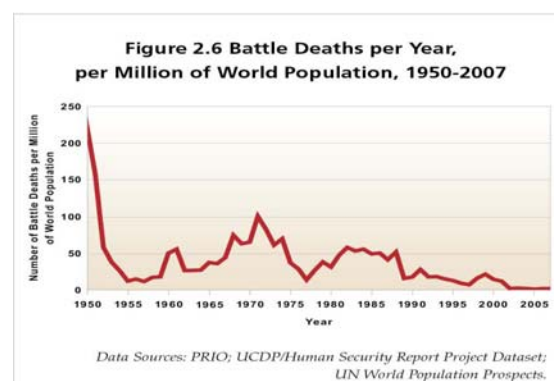
are yet another factor that will hamper the US' ability to convert domination into desired results. This trend has consequences for security far beyond purely military policies. With more development models on offer (cf. Chinese and Indian activities in Africa and elsewhere) and an increasing post-colonially informed critique of the state-building paradigm that is underlying "Western" development policy and peace operations, we must ask to what degree the overall development strategy as well as the so-called liberal peace-building regime (seeing as drivers of peace the promotion of democracy, market-based economic reforms and institutions associated with "modern" states) that is part thereof remains viable. The problem with existing peace building approaches seems to be that it simply does not work very well.

It can be argued that avoiding "failed states" means providing global public security goods, and that this concern should override regards for state sovereignty. Such an argument fails to recognize the fact that identity and we-ness is key to solidarity and re-distribution of wealth. Regardless of whether an outside observer conceives the West's efforts to make the world safe for democracy as the provision of a global public good, the fact remains that the peoples at the receiving end of these policies often seem to prefer less involvement or even no involvement at all. There are few indications that interpersonal loyalty and some collective, global, identity is in the making, and calls for global social contracts seem to be premature at best. If not carefully managed, the observation that loyalty can only stretch so far, can come to influence the legitimacy of Norwegian state-funded external support.

Hitherto, one central issue in rebuilding states to increase the global public security good, has been the introduction of "good governance" into the fabric of these societies. Indicators such as democracy, human rights, and the rule of law often define

"good governance". In the face of what might be a declining and inefficient liberal paradigm, increasing resource scarcity, and the impact of the financial crisis, one alternative to an all-encompassing "good governance" agenda, is to focus on providing infrastructure. Such realignment would not skirt all problems, since the provision of goods by outsiders will at least in some degree play into the hands of local patrons who will find ways to use the new resources to shore up already existing patronage systems. However, since we know of no historical or current political system where this is not to some degree the case, this should be considered a valid but not particularly relevant counter argument.

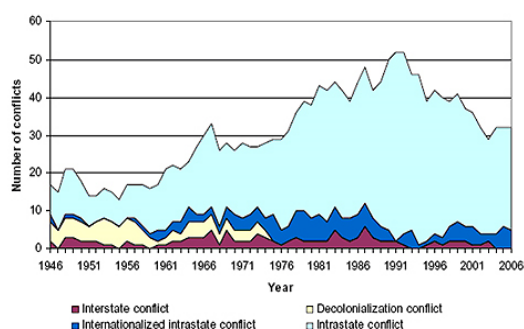
Human security



There has been a steady decline in battle deaths per year, and conflicts have declined since the end of the Cold War. However, armed conflicts per se has increased between the 1960s and 1990-1, especially intra state conflicts (from 12 in 1960 to 49 in 1991). As the figure below shows (CSCW/PRIO), armed conflicts are now at the same level as during the 1970s, and much higher than during the 1950s and beginning of the 1960s. The share of civilian casualties has increased throughout the century.

ARMED CONFLICT TYPE TRENDS

Figure 1: Armed Conflicts per Type, 1946–2006.



Incidents of terrorism has also increased, but dropped as of lately (including the 9/11 attacks).

Because of this, security and development concerns have gradually become inter-linked into a hybrid form. Two previously distinct policy areas are now increasingly overlapping in terms of the actors and agencies engaged, and in terms of the policy prescriptions that are advocated. The human security approach exemplifies the security-development nexus.

However, the sustained importance of national- and state security is manifest, and was revived by the 9/11 attacks. It is likely that “human security” will not be accepted as a conceptual framework or policy tool for national governments towards 2020. There is essentially a consensus that traditional notions of security are not satisfactory in describing the present state of the world, but the consensus ends there. It is, however, possible to work to influence such perceptions by involving new actors in strategies of legitimation (see below on perceptions of security).

Energy and security

An increasing focus is being put on energy security due to several factors: the prospects of “peak oil”, the reliance on unstable and authoritarian regimes for energy supply, and of course the competition for energy between states, notably major powers. Furthermore, the general trend is that

demand for electricity will rise by approximately four percent per year towards 2020 (Argiri and Birol 1999). This explosive growth in demand from emerging markets, especially in Asia, and increasing state-control in energy markets lessens the likelihood that market forces alone will correct the supply-demand imbalance when it comes to energy and resources. Some are concerned that concerns with energy security will inaugurate a new era in international politics, with increased geopolitical rivalry and “resource nationalisms” (Umbach 2009) meaning that states take or seek to take direct and increasing control of economic activity in natural resource sectors (Ward 2009). China and India’s investments in Africa and elsewhere are often driven by a concern with energy security. Furthermore, the Obama administration’s decision to open up for more drilling (even if put on halt after the Deepwater Horizon oil spill), as well as the efforts to transition to a green economy, is driven by the same concerns. By implication, reducing US reliance on energy supplies from unstable regimes in the Middle East becomes a primary goal. The European Union, meanwhile, has made energy security a top priority. This shapes its relations with Russia and other energy exporting countries, effectively undermining the Union’s broader political advantage.

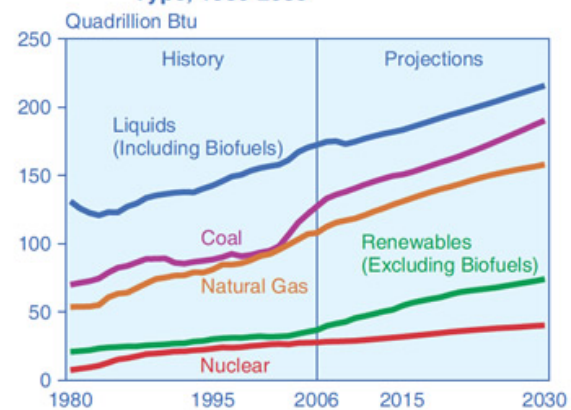
Global demand for energy will continue to increase despite the possibility of a slowing down of global economic growth in the next decade. The World Energy Outlook projects global energy demand to increase with 44% by 2030, most of the demand coming from non-OECD countries (IEA/OECD 2009). For the next decade and beyond, the response to this demand will likely be coal-based. Coal is relatively inexpensive and widely available relative to other sources of energy. As seen in figures 14 and 17 below, projections suggests that the composition of energy sources over time will remain stable. Oil, coal, and natural gas will dominate also in the future.

At a more structural level, the time lag between the emergence of new sources of energy and its widespread adoption is estimated to at least 20 years. This helps explain why hydroelectricity will dominate as a renewable source of energy, despite investments in other forms of renewable energy.

The demand for energy, and the search for energy security, will almost certainly be a central structural overlay for international politics for a considerable period. There will be international nuisances and political and economic posturing. However, energy security will only become a source of more general *insecurity* in combination with other factors. Furthermore, only if such forces combine in particular geographical areas at specific junctures will they together have the potential to fuel violent conflicts on a large scale. While there will be competition for resources, there are few reasons to expect such competition alone to manifest itself as outright conflict between major powers.

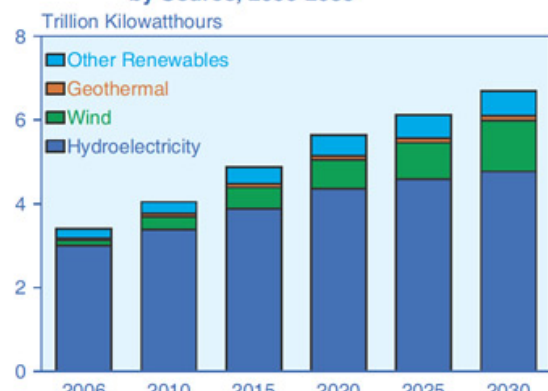
Norway is one of the world's richest countries, one of the world's biggest oil and gas exporters, one of the world's largest emitters of climate gases, and a country richly endowed with other natural resources, including ample hydropower. Norway therefore faces some serious and difficult questions as its petroleum extraction expands northwards to new areas. Supplying petroleum helps to keep the price of oil and gas down, and complicates the development of renewable forms of energy. On the other hand, reducing the flow of hydrocarbons from Norway may also promote the increasing use of coal. Such dilemmas will need to be confronted and analyzed more extensively in the future.

Figure 14. World Marketed Energy Use by Fuel Type, 1980-2030



Sources: **History:** Energy Information Administration (EIA), *International Energy Annual 2006* (June-December 2008), web site www.eia.doe.gov/iea. **Projections:** EIA, *World Energy Projections Plus* (2009).

Figure 17. World Renewable Electricity Generation by Source, 2006-2030



Sources: **2006:** Energy Information Administration (EIA), *International Energy Annual 2006* (June-December 2008), web site www.eia.doe.gov/iea. **Projections:** EIA, *World Energy Projections Plus* (2009).

Perceptions of security

Security is not only dependent on material and objective conditions. As an illustration of the importance of how much perceptions matter, one can analyze whether the end of the Cold War has altered the patterns of war. It actually has *not*. War is less common, and battle deaths have declined, but what is often termed “new” wars or new types of conflict, are not really new at all. What has changed is that these types of wars – intrastate wars – have received increasing attention in the last 50 years, and particularly since the 1990s. The absence

of heavy weaponry and superpower support is, generally, what makes these wars result in fewer battle deaths. This, however, does not make the conflicts substantially “new” (Kalyvas 2001).

What counts as a security issue is not constant or given, but depends on how it is defined and perceived. As examples, terrorism was perceived as a problem of domestic crime in the 60s, but is now on top of the global security agenda. There are attempts to “securitize” climate change, that is, to bring the problem and corresponding severity of measures on equal standing to for example interstate wars, but these have so far been unsuccessful. The point here is that such “securitization” cannot be understood without reference to perceptions, which are often heavily shaped by elite and lobby groups, campaigns, the media and advocacy groups (Buzan, Wæver, de Vilde 1998).

Against this backdrop, it is instructive to reflect on more or less likely developments in threat perceptions and security discourse in the future: Migration and energy are now both being “securitized”. Climate change has not been successfully securitized, thus lacking the corresponding extraordinary measures that would have become legitimate. It is not likely that this will occur in the absence of any extraordinarily big, climate related cataclysm that brings immense human or natural devastation.

More broadly, a major change has occurred over the past five years in American and global perceptions about China. It is now seen as a major power almost on a par with the US. This results not only from China's current capabilities but also particularly from the speed of its growth, the scale of changes occurring, and not least projected trajectories. This attention in and of itself, can affect security assessments. Vice versa, while 41% of Americans believe they are staying ahead of China in terms of innova-

tion, 81% of the Chinese thinks the same of the US (McGinn 2009).

“Self-fulfilling prophecies” are therefore worthy of notice. Pew Research (2010) reports that perceptions of China's increasing power could boost anti-Chinese sentiment in the years to come. In the US, such sentiments are already shaping domestic policies. Senator Charles Schumer, for example, demanded that money from the economic stimulus package to a joint venture between a US and a Chinese company aimed at shifting towards a green economy, be withdrawn. In Western Europe, worries about China's economic power are also on the rise.

Implications for Norway

Since the US remains by far the most important power, there is no basic power-political reason for changing the overall Atlantic direction of Norwegian foreign policy. Norway has predicated its alliance policy on a quid pro quo with the US. In exchange for US support in contingencies, Norway supports and participates in US-initiated international operations in Afghanistan, and partially in Iraq. This remains a viable overall security strategy.

Two caveats should nonetheless be noted. First, over the last forty years, the EU has slowly but surely organized its own defense capability. Integration has also intensified along other relevant tracks. The cost for Norway of standing outside the EU increases proportionally. Norway will have problems remaining integrated with other European forces, as EU-based ones increasingly join NATO's mechanisms. To the degree that the EU's security consolidation causes friction with the US, Norway will be caught in the middle. Furthermore, and potentially, if Russia wants to send a message to the US, the EU, or both at as low a cost as possible by picking on a bordering country, the logical choice is the country that is not a member of the EU.

Norway's strong attachment to the US calls for a matching attachment to the EU.

With a view to the long term, Norway's overarching interest lays in a well-organized world order where Norway may further develop its export-based economy without becoming so politically visible that visibility may cause economic problems or even problems of terrorism (cf. the cartoon crisis). As such, the strong attachment to the US also calls for a strong interest in the rising powers. Norwegian ties to other poles in the system may dampen to some degree the impression that Norway is the US' European henchman. At the very least, Norway needs the knowledge and the political and economic contacts necessary to follow how these states think about its own position in global politics, the position of the US and the EU, and also the role of small and rich states like Norway.

A US-centered security policy remains Norway's most obvious option. With an eye on the political costs *vis-à-vis* the EU and the rising power, however, we would like to make the case for pitching support for US military operations more as what it is, namely *Realpolitik*, and less as normative support for an American-led, liberal world.

Furthermore, Norway should ideally run a set of cooperational projects with rising powers. The size of this portfolio should mirror the importance of these states. This is not the case at present. For example, during Brazil's recent state visit, it turned out that there was very little cooperation between the two countries, particularly outside of the economic sphere. Considering that Brazil is the rising power with which there are presumably the least cultural and economic hindrances for cooperation, this situation is suboptimal.

As a neighboring power, Russia remains of key importance to Norway. This is well understood – witness, for example, the

enthusiastic responses to territorial delimitations in the Barents Sea – and so need not concern us here. Where Russia's role in global politics overall is concerned, however, it is overrated in Norwegian discourse. It is hardly surprising that what is important for Norway is not necessarily important for the world. At present, the Arctic is not "securitized". With increased attention given to environmental or climate issues, and particularly given the likelihood of there being increased shipping in the area due to melting ice, this may change, but it is unlikely to change before 2020. Russia does not have enough symbolic power to securitize the area by itself, no matter how many metal flags it places on the seabed. Neither are there indications that the Arctic will become a great security concern for US policymakers on this side of 2020.

4. Climate and the environment

Population growth, economic growth, and energy demand

Just as in the global economic crisis, in questions of biodiversity and the environment, natural capital is used faster than it can be replenished, leaving future generations more environmentally impoverished. The human population of the planet is expected to reach eight billion by 2025 (UN 2008). Almost all of this population growth will take place in Asia, Africa and Latin America. Combined with rapid economic growth, this will lead to increases in demands for natural resources and energy.

Climate change will probably worsen the resource scarcities of a growing population, but as the impact of climate change will vary by region, so will the impact of changes in agricultural productivity. Declines will be located mainly in sub-Saharan Africa, and could be devastating for both their economies and for people's subsistence.

As seen in the preceding section on energy security, the demands for electricity will rise by four percent per year towards 2020 and beyond. The supply will mainly come from coal-powered electricity plants. From 2006 to 2012, it is estimated that China and India will have built 800 new coal plants, the CO₂ emission from which will represent five times the savings of the Kyoto regime (Zakaria 2008: 90).

Increasing energy consumption and climate changes also lead to health consequences. Climate change is not affecting the environment in isolation. Climate change is intimately linked to the spread of diseases, such as malaria in increasing wetland areas, decline in agricultural production, and violent weather.

Particularly in the area of climate and the environment, the challenge to policymak-

ers is the convergence and interaction of these multiple trends and concerns, at the same time as one will have to cope with the impact of new players. Complexity and the number of intended and unintended consequences affecting the environment will become increasingly difficult to manage.

Climate governance

The UNEP is not functioning according to the intention. UNEP has been relative effective in monitoring, assessing, and launching environmental agreements. It has failed in managing policy processes, to establish benchmarks and "best practices", and has not established itself as an institutional home for environmental initiatives and conventions. Because of the governance structure, the emphasis is still put on the interests of member states instead of the mission of the organization. Because of the financial structure, UNEP is used as a tool by states to promote their own agendas rather than financing public goods activities. It is not an institutional home for environmental regimes (Ivanova 2005). This might correspond to the increasing proliferation of private organizations with the primary goal of devising transnational rules for environmental governance (cf. pages 14-15 in this report). One can observe a shift from networks lobbying rule makers to making and implementing the rules themselves. This can further be seen as a response to demands that global governance should use innovative forms of cooperation among different social sectors, something at which UN organizations like UNEP can be seen as having failed.

Consequently, the soundness and effectiveness of the advice from the Norwegian "St. melding 13" to "strengthen UNEP, especially as regards its core function, which is surveillance of the global state of the environment and give recommendations on the governance of natural resources", is *not* evident.

There is, however, a broader field of non-state processes in which issues are defined, rules made, and compliance with rules are monitored. In the governance of the environment, some prominent examples are “The Global Reporting Initiative” that publishes “Sustainability Reporting Guidelines” that now forms a part of the strategies of both states and multinational corporations. Furthermore, the “Forest Stewardship Council” has established a global certification scheme for responsibly managed timber. The Marine Stewardship Council has an equal certification scheme for fisheries (Dingwerth and Pattberg 2009).

What do these institutions have in common? Besides operating beyond any centralized institutional authority, they often include a wide range of stakeholders, often in quasi-parliamentary bodies that serve as governing organs, and they focus on process over substance. As such, these international governance networks gain increasing legitimacy in the environmental realm by being inclusive, accountable, deliberative, and focussing on public relations.

Carbon markets

The carbon market is an important component on emissions trading, specifically addressing emission of carbon dioxide. Trade in emissions, or cap-and-trade, is a political system set up to give economic incentives to reducing emissions. A cap is set by a government body, and up to the level of this cap, e.g. industries can trade emission allowances so that those activities who need to emit more can buy allowances from those who need to emit less. The desired goal is that the most cost-efficient ways of reducing emissions will prevail in the market. As in any other markets, a capital base is needed, and coordination of markets and standards on a global scale is desirable. Developing countries, e.g. in Africa, should in principle be in a position to benefit from carbon markets through

Clean Development Mechanisms (CDM), as the demand for Certified Emissions Reductions (CERs), or climate credits, increases. Projects to reduce emissions in Africa could “sell” their climate credits to industrialized countries that need higher emission allowances.

A connected strategy is to pay developing countries directly to develop climate friendly projects and industries. The EU, not the UN, is the leader in organizing the money to help developing countries pay for such new technologies and adapt to climate change (about 100 billion per year). In addition, the EUs carbon market is already the worlds largest, and the biggest contributor to emission controls in developing countries

“When the current Kyoto protocol runs out in 2012, the whole carbon market might go under with it”

However, and mainly because of US reluctance to invest in a serious federal climate policy, the market is not efficient enough to reach the emission reduction goals.

A successor to the Kyoto accords could potentially greatly increase the size of this market, as could an extension of the cap-and-trade system in the US. However, the latter is improbable and the former is uncertain. When the current Kyoto protocol runs out in 2012, the whole carbon market might go under with it.

The Kyoto accords were based on the idea that the West set the premises through negotiation, and the “third world” would follow to solve the problem. This is an even more problematic assumption today. A solution or renewal of Kyoto will require a broad coalition from the start, including the private sector, nongovernmental organizations, cities and localities, and the media. As opposed to taxes, tariffs, and even wars, states now have less room to manoeuvre on these fronts, and need more subtle and so-

phisticated ways to effect change. This is connected to the increasing general importance of hybridity and networks in solving problems of global governance, as laid out elsewhere in this report. More specifically, any such solution must include China.

China

China is the embodiment of general trends that has been identified in Asia: rapid economic development and rising living standards, globalization of trade and increasing demand for Asian natural resources, the rise of science and technology, an exploding energy demand, post-Kyoto mitigation approaches, and population growth and urbanization.

McKinsey (2009) has estimated that total number of vehicles in China alone will rise from 26 million in 2003, to 120 millions in 2020. Twenty six percent of the water in China's river systems is so polluted that they have "lost the capacity for basic ecological function" (Zakaria 2008:98). Of China's about 570 million urban residents, only one percent breathe air considered safe by EU standards.

Many such figures, however, come from the Chinese government itself. It has placed environmental considerations higher on its agenda than most developed countries. Senior Chinese officials talk about the need for green GDP and growth with balance, and environmental concerns figure prominently in Hu Jintao's plan for a "harmonious society" (Fan 2006).

Fatih Berol, the chief economist of the International Energy Agency, was asked which country had the most environmentally conscious government. Most people expected him to mention Norway or another Scandinavian country. Instead, he named China.

Box 2:

Chinas energy-efficiency drive

As the world's top emitter, China is ahead of the curve in developing energy efficient solutions. Daniel Esty (2007) of Yale University observes that

"China has adopted fuel-economy standards that will push average car mileage to nearly 40 miles a gallon over the next five years, ... And it has promised to reduce water pollution by 10 percent by 2020 and increase industrial solid waste recycling by 60 percent. These aren't just empty promises. The State Environmental Protection Agency, which recently acknowledged that air- and water-quality levels are worsening, blocked 163 projects worth USD99 billion in 2006. Start-up companies are being launched every day to develop pollution-control technologies, improve energy efficiency, and create alternative sources of power. The USD220 million in clean-tech venture capital China received in 2006 puts it ahead of Europe as a venue for new environmental companies".

Climate reparations and Green Economy

Climate reparations means transferring money from "the West", responsible for the bulk of emissions, to developing countries to facilitate climate friendly solutions and reduce the potential for future emissions in these countries. This issue has become salient as a response to the fact that equity has been low on the agenda so far. For a global solution to be perceived as broadly legitimate, it must probably assign responsibility both for the historical stock and for the current emissions. One alternative is for Western countries to cut emissions radically, permitting other developing states to expand theirs. That is probably politically unviable. Another alternative is for "Western" countries to pay developing countries directly for cutting their emissions to free their resources to adopt

environmentally friendly technologies and solutions. The amount of money needed for this to avoid developing countries making up for industrialized countries' emissions cuts, was one of the issues in the Copenhagen summit.

Bolivian President Evo Morales has called for a nearly \$700 billion annual transfer to developing states for "climate reparations". Some European states have proposed between \$3 - \$10 billion per year from 2010 through to 2012. The EU plans to transfer more than \$20 billion annually by 2020, and estimates nearly \$150 billion needed per year by 2020. The World Bank found that poor states would need \$75 to \$100 billion annually for the next 40 years, whilst Oxfam has suggested a \$50 billion annual compensation fund to do the job. No concrete numbers are associated with potential US donations.

In this respect, the Norwegian promise to "[consider direct compensation to protect ecosystem services]" (st melding 13) should be considered an understatement.

A Green Economy would take seriously the mutual dependency of humans and the ecological systems in which they live. A fundamental transition from "black" economic activity, like coal and oil, to renewable energy sources would create new "green jobs", and a more sustainable economic development, as well as reducing environmentally harmful activities. It can also be argued that such transition would give more direct economic advantages.

The loss of forests, for one, is costing the global economy between 2.5 trillion and 4.5 trillion a year, for example through lower revenues due to lower harvests and the investment in new procedures to extract timber. Protecting and restoring damaged ecosystems can deliver extraordinarily high rates of return on investment, estimated to be 40, 50, or even 80 percent (UN 2009). The next step could be to turn

ecosystem services into a viable portfolio option for large investors – such as the Norwegian pension fund – and to generate the capital needed to carry out large-scale conservation efforts.

Furthermore, there will be an increasing need for development policies directed specifically towards adaptive programs to deal with environmental change. Combining structural incentives for investments in ecosystem conservations, and hybrid programs on a micro level, combining development and environmental conservation, to create economic gain and "green jobs", is an area that will receive more attention.

Implications for Norway

There is a fine line between Norway as a pioneer country ("foregangsland") and narcissism. Carbon capture and storage for one, is extremely expensive, but do have an important effect internationally on Norway's image as a pioneer in environmentalism. However, the money could have been used, perhaps more efficiently, in other countries to e.g. increase energy production efficiency (CCS has the opposite effect), or to support gas-fired over coal-fired power plants. Likewise, unconditional support for UN environmental efforts and UNEP, means giving a lot of money to inefficient organizations to support our own self-image as a nation. This is connected to what we call "driving in the home view mirror" below, referring to how ones self-image is more important in shaping policy responses than a thorough analysis of the problem to be addressed. In climate policy, this is not necessarily pioneering or progressive.

In climate policy, Norway should support what is effective, and dampen the discourse of exceptionality or pioneering. Supporting integrative and cross-cutting hybrid projects of providing development through green economies and green jobs, investing in environmentally friendly tech-

nologies, and through this addressing health concerns, should be a priority area. This is on the surge internationally.

5. Development policy

As a political project aimed at transforming developing countries, development policy has grown increasingly ambitious over time. Conventional wisdom has it that the now degraded “social engineering” mode of development policy of the 1960s and 1970s is now firmly replaced by a paradigm that places a much higher premium on the rights and needs of the individual. The latest culmination of this trend can be found in the Millennium Development Goals (MDGs), which gives concrete, measurable targets for individual-level improvements in human development. Still, social engineering – the idea that some actors have privileged access to the dos and don’ts of how to achieve economic growth and poverty reduction and thus also the right and obligation to tell others to act accordingly – is as strong today as before, although in a slightly different form.

Development policy over the last two to three decades have been focused on software, not hardware, with social engineering being much more intrusive, operating at the level of the skills, identity, education and capacity of the individual, and on the rules and resources of state institutions. This is, in turn, is grounded in a discourse of rights, giving development policy a more explicitly moral and absolutist tone. Two things stand out as explanations for the contents of today’s development paradigm. Firstly, professional groups in many cases have the power to set the terms for the policy debate (experts operating in foreign ministries, NGOs, think tanks, and IOs). Secondly, donors have a tendency to drive in the “home-view mirror”, that is, to listen to and be shaped by the concerns of key constituencies at home in defining policy and setting priorities, which often (though not necessarily) conflict with those of the intended beneficiaries of development policies.

Against the backdrop of the failures to institutionalize good governance and peace in many fragile states, the ambitious, large scale programmes of social engineering and democratization may move out of fashion, and new arenas and strategies for improving lives and helping restructure states is likely to emerge. These will increasingly be based on pragmatic partnerships and policies.

China will continue to expand into the African continent, and consequentially to provide new models for development. China is not operating with strict “conditionalities” and does not expose the same value-based expansionist tendencies as the West. The implications of a potential shift in the overall level of ambition and areas of priority within fragile states will pose a huge challenge for Norwegian foreign and development policy.

“Ambitious, large scale programmes of social engineering and democratization may move out of fashion, and new approaches for development- and post-conflict reconstruction is likely to emerge.”

The demand to demonstrate results and impact is likely to shape future development policies in significant ways. Concerns with accountability have become a driving force of innovation in how development is practiced, resulting in ever more sophisticated techniques for monitoring and evaluating aid projects, often termed “results based management” or the like. This has resulted in a tendency to prioritize discussions about “doing things right” – i.e. demonstrate “effect” measured as output, not outcomes – over the more important ones of “doing the right things”. This also affects accountability, in that accountability towards donors often is at the expense of accountability to those affected by governance measures. This trend is likely to continue as publics in main donor coun-

tries are concerned with fraud and corruption in aid funding. Briefly put, a focus on efficient delivery of outputs tends to overshadow the broader discussion on the very nature of the outputs, or the *outcomes* of specific policies or projects.

Approaches to fragile states will dominate debates on development policy, together with hybrid models on how to link climate change and development policy through investments in forest management and search for replacements to coal as a main source of energy. A risk as far as Norwegian policy is concerned is that development policy, thus defined, will be much less about poverty reduction and emancipation in developing countries, and much more about global challenges – climate change and global instability and risks (fragile states). Such a transition will imply that developing countries become not so much ends in and of themselves, but locations where global challenges (as viewed from the rich parts of the world) are sought addressed.

An indication of how the emerging logic of hybridity is affecting the development paradigm is how humanitarian work is becoming politicized from within by being fused with development. It is apolitical, yet political. For example, humanitarianism should include promoting human rights, and not having contact with e.g. the Taliban in Afghanistan – inherently political statements. It is challenged from without, as civilians and humanitarian workers are increasingly becoming targets in conflicts, and military troops are delivering humanitarian aid as a “force multiplier”. The latter trend points to the prevalence of the former – humanitarians are political actors, becoming more involved in development.

Food and resources

Because of the growth in population and wealth, and new dietary preferences spurred by a growing middle class, an in-

creasing food demand will require an increase in crop yields from three tons per hectare at the current level, to four tons by 2025.

Whilst the World Bank estimates that demand for food will rise by 50 percent by 2030, a UNEP projection estimates that agricultural productivity could drop by the same percentage in many developing countries by 2080. This might be connected to climate change: changing patterns of rainfall, melting of ice and snow, and draughts (see above on climate change)

Water shortages are also more frequent, especially for irrigation purposes and agricultural production. These problems will probably only worsen because of rapid urbanization. Due to the increase in population combined with a changing environment, countries categorized as cropland or freshwater scarce is likely to increase from 21 countries today, to 36 countries by 2025. That would amount to an increase of 1.4 billion people (among the newcomers are Burundi, Colombia, Ethiopia, Eritrea, Malawi, Pakistan, and Syria).

These scarcities are increasingly also contributing sources of violent clashes. Food- and water shortages are furthermore historically a driving force for population movements, and in the near future, we might see population movements of tens of millions of people.

Good governance and effectiveness of aid

The liberal “good governance” paradigm, emphasising human rights, solid public institutions, democracy and the rule of law as indicators of legitimacy, is likely to falter. There is considerable fatigue in terms of whether it is effective, and developing countries are overwhelmed with ever more refined “solutions” formulated by western technocrats (see box 4).

Box 3:**Number of governance reforms suggested in each year's World Development Report¹ 1996-2003:**

1997:	45
1998:	75
1999/2000:	66
2000/2001:	106
2001/2002:	100
2002/2003:	116

A recent review by the Independent Evaluation Group (IEG) of the World Bank concluded, for example, that there is no conclusive evidence as to whether the good governance agenda actually captures the determinants of aid effectiveness. A key case is Bangladesh, whose growth rates have been high over a sustained period in the *absence* of the policy and institutional framework suggested by the good governance agenda.

There is a clear impact of the Millennium Development Goals (MDGs) at the global level. Forty countries have had debts cancelled; aid has increased substantially; there have been major advances on the control of tuberculosis and other significant diseases. Recent data also documents that finally, maternal health has improved. Still, at the country levels, the advances are less clear. MDGs are in cases not sufficiently integrated into national strategies and donor plans.

Following the general trends suggested in the report, critical factors for the achievement of a MDG framework after 2015 are the diversification of funding and partners in networks, the growing inequalities between countries, the likely increased importance of the G20, a difficult context for public expenditures and potential decline of support for aid and

¹ Source: Grindle (2006)

aid volume, and the impacts of demographic changes and climate change.

Towards 2020, one might observe an increasing focus on global and national roles and the division of labour in development - who's going to do what and the roles of different actors, especially in terms of funding and accountability. Over time, a transition to a new development paradigm will probably take place, with less emphasis on moral absolutes, less ambition in terms of social and political transformation, and much more on "good *enough* governance". This is driven in part by structural factors, like China's entry into the game, in part by the emergence of a clear issue-linkage between development and other issues (security and climate change being the two most important), and by internal debates among development professionals as to the appropriateness and effectiveness of current policies.

To sum up, development policy has been changed after a series of crises in finance, food, fuel, and climate. A fundamental discussion on the changing nature of development is needed. There is no consensus on whether good governance makes for effective uses of aid. This should have implications for aid for poverty reduction, and for development policies.

Implications for Norway

Norway is well positioned to help shape the contents of a new paradigm and to constructively partake in the critique of the prevailing paradigm for how to approach poverty reduction as well as post-conflict reconstruction. This is so because of its long-term commitment to development, dialogue, peace- and reconciliation work, investment in peace operations (the withdrawal from MINURCAT² notwithstanding) and peace building efforts. In shaping this new paradigm, the

² The UN Mission in the Central African Republic and Chad.

government will be constrained both by the emerging trend to subordinate development goals to concerns with climate and security, and by the tendency to focus on effectiveness in terms of outputs rather than outcomes. A related constraint is the level of fragmentation of Norwegian development policy (see box 5 below). To be able to shape the future paradigm on development issues, broadly defined, strategic choices and priorities must be made. Despite much talk about such prioritization, the trend seems to be towards more, not less, fragmentation.³

of publicly showing concrete results in terms of impact, putting greater weight on accountability also towards the “objects” for development, and to gear aid more towards cross-sectoral and project based development aid in order to facilitate this.

Box 5: Aid Project Fragmentation UK, Canada and Norway 2008

Number of projects

Canada	2 049
UK	2 460
Norway	4 208

ODA USD Mill/Project

Canada	2.34
UK	4.67
Norway	0.94

Source: Gulrajani 2010

Given that part of the challenge to the prevailing paradigm comes from emerging powers there are good reasons to use a re-think of and exploration of new strategies for development policies as a platform to build alliances with these powers that are of strategic importance for Norway also on other issues (China, India, Brazil etc).

While support for development aid remains relatively stable (a slight decrease in support), the public’s assessment of aid efficiency is declining. If this continues, the legitimacy of the 1% of budget aim of Norwegian policy might be at peril. It is difficult to overemphasize the importance

³ In the late 1980s and early 1990s, Norway had around 70% of its ODA focused on the top 20% recipients. From 2005 to 2008, the number dropped from 50% to 40%.

6. Cross-cutting trends and the implications for diplomacy

As has been indicated throughout the report, there are some cross-cutting trends implicitly present in the more issue-specific or substantive areas that the report has covered. In continuation, we elaborate on these trends, as they have come through in the thematic sections above, before specifying their general implications for Norwegian foreign- and development policy.

Numerous authors have over the last decades pointed to the presence of a global, neoliberal political regime, including assumptions of universal human rights, the free operations of markets and movement of capital, development economics, and transplants of “good governance” agendas including liberal state institutions and the Rule of Law. This overall liberal policy environment, in social affairs as well as regarding peace operations, has as one of its prerequisites a strong focus on agents other than states. From military affairs to development, the agents involved are increasingly both quasi-state and non-state actors. However, this does not necessarily mean that the state is losing power relative to other agents. Much of the literature on globalization and increasing interconnectedness, often assumes that the state is becoming less central to world politics, and that they are somehow “losing power” (e.g. Held and McGrew 2002). However, non-state agents are increasingly important, not because they will of necessity pursue policies or have agendas that diverge strongly from state policies, but because state policies will inevitably involve working with, through, and towards such actors (Neumann and Sending 2010). To take but one example, the US state conducts much of its warfare through contractors and the Norwegian state conducts much of its development policy through International and non-governmental organizations (NGOs). It is argued that such

policies weaken the state, but this should not be seen as a zero-sum game where one loses and the other gains power, but as a change in the very relationship between state and society. This report rather suggests that working through non-state actors can *strengthen* the state, as the state can get more done more efficiently working indirectly through associations. In short, the ways in which governing is done are changing.

“Non-state agents are increasingly important, not because they will necessarily pursue policies that differs from states’, but because state policies will inevitably involve working with and through such agents”

What is more, the rise of “identity politics” on the local level, based on the self-conceptualizations and interests of minorities or other social groups or movements, combined with exceptional economic growth makes state or national action in isolation more difficult. As power becomes diversified and diffuse, legitimacy becomes even more important. It is the only way to appeal to disparate actors on the world stage. For a policy to be sustainable and effective, it needs to be legitimate - the capacity of actors notwithstanding. Mechanisms outside of states and the formal institutions are increasingly gaining legitimacy.

Consequentially, the importance of transnational policy networks and innovation in new forms of governance is a major trend. The academic literature on global governance and on globalization find that, increasingly, decision-making power, alliances, and innovation in forms of governance take place not within specific actors, but within transnational networks organized around specific issues. To understand who has power, how influence is exercised, and how new forms of governance and regulation are being suggested, negotiated and tested, one will need to focus on

networks. Moreover, in these networks, individuals – with backing from the institutions they represent – matter. Cases in point are Norwegian diplomats with a particular standing on an issue or in a region due to expertise and personal relations. Such networks are often tied in with formal organizations, such as the UN or the World Bank, but any one actor does not dominate them. Identifying such networks and how they function is central for an appreciation of how, when, and where Norwegian interests can best be promoted globally.

The importance of transnational policy networks is closely associated with another crosscutting trend, namely the blurring of traditional distinctions between public and private, state and non-state, western and non-western, developing and developed, security and development. Received categories for understanding and acting in the world will be less relevant. The upshot of this is that although traditional entities (states, international organizations) and processes (inter-state diplomacy) remain important, new and different arenas and forms of governing will emerge as central. To see when and where, it is important to be sensitive to “hybrid” entities – public-private partnerships being but one example – and their defining features.

Some examples of hybridization are the well-known security/development nexus, how “humanitarian space” is being challenged by politicization from within (human rights) and militarization from the outside. Moreover, the roles of diplomats and bureaucracies are becoming increasingly intertwined with other social spheres and professions, as they are forced to interact with new issue areas, actors, and processes.

A further crosscutting tendency is the increasing realization that solutions to ever more complex and interrelated trends can no longer be found in the free operations of markets, or liberal principles in general.

Tendencies of more restrictions put on typical liberal policies can be identified, in both finance, security, development, and the environment/economy. Examples can be illiberal practices connected with the Global War on Terror, increasing calls for regulative as opposed to market-based interventions to prevent climate change and environmental degradation, nationalization and control over natural resources, and stronger financial regulations of markets.

What should Norway do?

The 20th century was all about hierarchical organizations in an anarchical world. The 21st century will increasingly be about networked organizations in a hierarchical world. (Lake 2009; Neumann and Sending 2010).⁴ Sovereignty is still of crucial importance, but as a principle mediating and translating global norms and best practices, not deciding and determining them.

Our assessment is that the conventional wisdom about the rise of China and the decline of the US is overstated. Over the next two decades, Norway will be well served by a continued prioritization of good relations with the US, investments in international institutions like the UN, and with integration into the EU.

“The 20th century was all about hierarchical organizations in an anarchical world. The 21st century will increasingly be about networked organizations in a hierarchical world”

Nevertheless, there are central challenges to be met concerning *how* such interests can and should be advanced. If Norwegian foreign policy sticks to frozen self-images (e.g. as a “pioneering country”) and to his-

⁴ Anarchical here refers to sovereignty being the primary organizing principles. Hierarchical here refers to liberal forms of governing being dominant, with sovereignty conditional upon global standards.

torically established ways of operating (e.g. supporting UN organizations on principle), its influence and effectiveness in operating with new and old allies, and in new and old global and regional arenas, will be significantly reduced.

Norway's timely investment in a humanitarian portfolio, including disaster relief and third-party mediating roles, allows Norway the role of information broker in a global context. Brokers are imperative because information is insufficient, and the more uncertain the situation is, the more they are needed. In a complex environment, Norway's symbolic capital as a trusted broker will be valued.

“Norway is well positioned to help shape an emerging regime that is less absolutist and more pragmatic”

However, Norway's position as a humanitarian great power and trusted broker will not be maintained if one does not change established practices: The liberally oriented paradigm for addressing fragile states, poverty and the like will be challenged by changes internal to security, development and humanitarian policy, and by changes external to it, for example the increasing role of China and others. This may undermine the market value of Norway's positions, since it is largely proportional to the liberal regime. Nevertheless, Norway is well positioned to help shape an emerging regime that is less absolutist and more pragmatic.

Moreover, Norway should prioritize efforts to innovate on how to govern more effectively with and through non-state actors without thereby marginalizing the centrality of established international institutions such as the UN. The UN can be used as a tool to effectively address new challenges, but it often requires using the UN in *different ways* than is presently the norm. The UN represents embedded legitimacy that is critically important, but its legitimacy is

being challenged. Other arenas (such as the G20) are emerging, and might be used to addressing pressing global challenges in ways that are more efficient. Moreover, transnational networks of governmental and non-governmental professional actors with shared interests and complementary expertise are often where new ideas flourish. Harnessing the power of such networks to innovate on governance, and bringing them into contact with the UN system, should be a priority for Norway. The same goes for the interface between regional organizations and the UN, where there is potential for integrating the regional with the global, thereby strengthening the UN.

Diplomats everywhere will be forced to reorient from a reactive to a pro-active mode of operation. Relevant and alternative apparatuses for knowledge production and implementation of global politics are on the surge: NGO communities, in-house expertise of transnational corporations (TNCs), IOs, journalists, defense intellectuals, pundits, lawyers, and the list goes on. This increasingly forces diplomats to work hard and pro-actively in order to remain the ones who define what the world looks like, what to do, and how to do it.

It is unlikely that Norway will be able to shape major reforms in IOs. But Norway can contribute to new forms of governance *linked to* IOs (not controlled by them). Here, Norwegian traditions for close relationships between NGOs, research institutions and grass-roots organizations are a source of strength. It secures legitimacy for foreign policy decisions in the absence of public debate, but it also raises the question of accountability *vis a vis* Parliament, whose role in shaping and overseeing foreign and development policy is arguably limited. Norway should take increasing risks to innovate and invest in transnational governance networks and to position itself in the relevant relations and networks.

“Diplomats everywhere will be forced to reorient from a reactive to a pro-active mode of operation”

The obvious response is for diplomats to plan and act in advance of others. Another obvious response to a growing deterritorialization of global politics (the weakening of ties between culture and space because of changing interconnections and actors' fuzzy boundaries) and the proliferation of relevant actors is to adopt a more project-oriented mode of organization, which will allow an immediate presence in a higher

number of processes. Influence will depend on issue-specific knowledge, trust, and contacts in each issue-area. This means that specialization of diplomatic training and postings will be more important than the ideal of the “generalist”. A lag is opening up between Norwegian diplomacy and other agents in this respect, even in Norway. For example, the Norwegian General Staff has long ago adopted the principle of the matrix organization, pooling people with specialist but similar skills into specific working arrangements.

Conclusions

ISSUE	Almost certain	Likely	Uncertain	Unlikely
State system	Continued US unipolarity, but increasingly constrained by importance of new agents,	Slower, but continuous rise of China, greater Asian regionalism, proliferation of political identities	BRICs challenging international system	Genuine multipolarity
Security	Scaling down in Afghanistan/Iraq, more actors and partnerships, intrastate conflicts	Move away from liberal state building, fragile states still important issue, risk of nuclear proliferation	Failed states will diminish as “global security goods” issue, re-emergence of violent conflicts over resources, nuclear arms race in middle east, weakening of traditional alliances	Major, interstate great power war
Climate, env., and resources	Increasing in importance and effect, resource shortages, increasing CO2 emissions	Failure of carbon market, China increasingly responsible stakeholder and trendsetter, new financial mechanisms	Population movements in the millions, substantial climate reparations scheme (> 50 billion USD/year), resource nationalism increase potential of tensions between great powers	Comprehensive and Global environmental “New Deal”, major emissions cuts by US
Intl. Org.	Decreasing importance in some issue areas	Decreasing importance in general	X new powers more integrated, as they become bigger players	Strong leadership in the int. community adapts and revives global institutions
Development	China and India more important players, larger cross-sectoral focus, reduced agricultural productivity	Scaling down to “traditional aid”, attractive new development models (China)	Major decrease in legitimacy of development aid, both in donor countries and recipients due to resentment and lack of accountability	
Finance and ec.	Transfer of wealth from the West to the East, energy transition away from oil	Increasing economic power of Indonesia, Turkey, Iran	Relatively inexpensive energy transition, comeback of mercantilism	National bankruptcies

Population	Increase, older population in Europe, China, Japan, to a lesser extent in the US	Increase to 7-8 billion		
China	Rising living standards, rise in science and tech., pop. growth and urbanization, exploding energy demand	Increasing globalization of trade and demand for Chinese natural resources	Levelling of China-“the West” as responsible stakeholders	Reaching US level on major indicators

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