

**ADDRESS BY
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**Reclaiming the Commons:
Collaborating and Competing in the New Economic Order**

Bismillahi Rahmani Rahim

Assalamualaikum Warahmatullahi Wabarakatuh

Good morning ladies and gentlemen:

It is a great pleasure for me to address the Khazanah Megatrends Forum. This Forum is one of the intellectual pinnacles in the Malaysian calendar, and I never fail to be greatly informed and inspired by it. The subject matter and speakers are always relevant and challenging and this year's appears to be no different. The theme is extremely well-chosen. The world faces immense and daunting problems of managing scarce resources that are required and used by all. It will require exceptional leadership and solidarity to ensure that these resources are appropriately and sustainably exploited for the use of the almost 7 billion

humans alive today, and for the generations to come.

2. Before I get ahead of myself, however, let me just take a moment to describe what I understand to be the nature of the commons. The commons is anything of value that is needed, used and depleted by the public at large. The term originated in 18th century England, when villages used to have designated areas, known as commons or greens, where livestock could graze. Access to the commons was open and free of charge to all villagers. Naturally, over time, the grass became sparse and the soil less fertile. Nevertheless, it was in the self-interest of each farmer to continue to use the commons, even beyond the point of sustainability and the interests of the village as a whole. The problem of the commons is a classic example of a situation where the pursuit of individual self-interest leads to an outcome that is socially suboptimal. It is a market failure.

3. The subject of the commons is therefore not new. What was once applied to livestock grazing also applies to fishing, clean air, clean water and the ozone layer. In this modern age, it includes affordable clean energy, the telecommunications spectrum and the intellectual property protection regime. The commons may even be extended to global security and the economic governance architecture and the values and norms that underscore them.

4. What was the village commons has now become the global commons. What used to have only a localised negative impact from over-exploitation today can reverberate in a multitude of expected and unexpected ways across national boundaries. As the world has shrunk due to globalisation and integration, human activity and welfare have become ever-more intertwined. Even the deterioration of pastures, river systems and watersheds today, can have widespread international consequences.

5. Given the amount of effort and expense that have been committed to issues of the commons, what exactly then is the problem? And why is there a need to re-examine and 'reclaim' it? Mismanaging the commons can be nothing short of calamitous. It can threaten not just the march of human progress and development, but threatens the very existence of humanity itself. Is this being overly dramatic? What are the consequences of global warming or nuclear proliferation? Do they hurt only a few million people or billions? Apart from global warming, the declining availability of fresh water is also seen by environmental scientists as a soon-to-be crisis, and one over which future wars will be fought.

6. There is also a significant lack of global coordination in tackling energy security issues. This, coupled with the depletion of readily available fossil fuel reserves, has led countries to unilaterally amass

resources and make arrangements based on their self-interests. This compounds the problem of under-development, poverty and social injustice, things that the Millennium Development Goals were supposed to address by 2015 - just five short years from now - which appears increasingly doubtful.

7. These are some examples of what is at stake in mismanaging the global commons. But despite these enormous stakes, our efforts at managing the global commons continue to be piece-meal and fragmented. The global institutional architecture has not kept pace with the new realities and reflects the power relations and state interests that existed immediately after World War II. In short, we have global resources and management problems but we do not have a global system of governance. Our economies have fused and our societies are moving closer together through cross-border trade and investments, capital flows and human migration. Infectious diseases and terrorists travel over the same air and sea lanes to spread. But despite interdependence, governance still remains firmly based on nation states, and nation state interests trump global welfare each and every time. The world has simply outgrown the institutional capacity to govern it.

8. The fact of the matter is that we fully understand this dilemma. We can clearly see the negative consequences of our actions. And yet we seem to be powerless to do anything to stop it. This has led to the

phrase “the tragedy of the commons” by Garrett Hardin, an ecologist who argued that problems of the commons have no technical solution because humans have different wants and priorities.¹ Unrestricted freedom to pursue their own interests will lead to a collectively worse state which is why he argues that a supranational authority must be established to regulate freedoms for the greater good.

9. Let me give an example. China and India are relative economic late-comers. Their populations are very large and, despite marked recent successes, most still live in very marginal circumstances. The greatest priority of each country therefore is to bring up the standard of living of their people. In order to do so, however, they will need to grow very quickly. This inevitably consumes a great deal of the earth’s resources that increases pollution, including the greenhouse gases that contribute to global warming.

10. Not surprisingly, both countries consider the demands of rich and advanced countries for them to limit carbon emissions as unfair and unjustifiable. China and India argue that the rich countries have already polluted the earth in order to reach their present levels of income, and they continue to do so today. Both countries benefit from the right to emit greenhouse gases, whereas the consequences, such as global warming and rising sea levels, are shared by many countries.

¹ Garrett Hardin, ‘The Tragedy of the Commons’, *Science*, 1968

11. Developing countries do not dispute that global warming is an issue and must be managed. Both China and India recognise the magnitude of the problem and are taking steps nationally to address it. What they do dispute, however, is that they have a leading role in achieving it. It is thus not surprising that despite the elaborate preparations and declarations of noble intentions, the Copenhagen Summit, convened at the end of last year to combat climate change and global warming, ended with such underwhelming results.

12. At the national level, ways of managing the commons are well known. For example, a properly functioning government can bestow property rights on private users, impose regulations on common access, use taxation and issue tradable rights. For example, they can designate certain areas as national parks, privatise the rights to take raw water from rivers, and build and operate highways. At the international level, however, the ability to use the same kinds of policy solutions is severely limited.

13. In the mid-1990s, an attempt to address this problem was made by the Commission on Global Governance. Its report, entitled *Our Global Neighbourhood*, proposed UN authority over the global commons. This was no academic exercise, being co-chaired by then Swedish Prime Minister Ingvar Carlsson and former Commonwealth Secretary General, Shridath Ramphal. It recommended global taxation, an economic

Security Council, a standing UN army, an end to the veto powers of the five permanent members of the UN Security Council, the establishment of a new International Criminal Court and legally binding verdicts of the International Court of Justice. All this, it was said, would ensure greater personal security, opportunities to earn a fair living, and equal access to the global commons.

14. Not surprisingly, countries saw this as an attempt to increase the power of the UN at the expense of the 192 member states. This is a common and predictable response to any attempt to transfer power away from the nation state. As I see it, this is the real essence of the problem. It is a “Catch-22” or paradox that in order to reform the global system, we need the consent and support of precisely those from whom power will be taken away. Short of a significant upheaval such as a world war or a major global crisis, where a dominant force emerges which is able to impose its way on the world, it is very difficult for a consensus to emerge. Efforts to reform the way we do things and explore new options to safeguard the global commons inevitably is often subverted or hijacked by powerful vested interests.

15. But even major crises can fail to be comprehensive instigators of change. The recent global financial crisis was, and still is, a golden opportunity for countries to strengthen regulation and enhance supervision to minimise the risk of a repeat crisis. The global financial

crisis revealed very clearly that the present international financial architecture is incapable in avoiding or resolving financial crises. It further shows that global institutions, just like national governments, are vulnerable to manipulation by interest groups, in this case, powerful financial corporations.

16. Developments to date, however, have still something of a question mark. For example, it remains to be seen whether the U.S.'s Frank-Dodd Wall Street Reform Act passed recently and the efforts of such bodies as the Financial Stability Board (or FSB) and the Basel III process, led by the Basel Committee on Banking Supervision, can be successful. I have noted that there has been scepticism over the independence and capacity of FSB to carry out its heavier mandate with a smaller membership base and that there is strong resistance by big banks and powerful financiers to Basel III.

17. These all point to the realities of the new economic order. To quote Martin Wolf of the Financial Times and one of the world's leading economic writers:

“Much of the institutional scenery – distinct national business elites, stable managerial control over companies and long-term relationships with financial institutions – is disappearing into economic history. We have, instead the triumph of the global

over the local, of the speculator over the manager and of the financier over the producer. We are witnessing the transformation of mid-20th century managerial capitalism into global financial capitalism.”

18. If Wolf is right, this would seem to be the basis of the new economic order, namely, the global over local, the speculator over the manager, and the financier over the producer.

Ladies and Gentlemen:

19. We must dare to imagine a better, more humane, new economic world order. We must be willing to explore new ways of engagement to advance human progress and development. Despite the enormity of the tasks before us, I am hopeful. It is precisely when we are on the very edge of disaster that we somehow find the collective wisdom needed for us to pull back from the brink. Recent events have also opened small windows of opportunity to restore and reform our global governance institutions, efforts which must be underpinned by legitimacy, effectiveness and accountability.

20. Garrett Hardin's 'The Tragedy of the Commons' has been a starting point for a great deal of thinking and research. In 2009, the Nobel Prize for Economics was awarded to Elinor Ostrom for her work

on unravelling the problem of the commons, and designing principles for its proper management. Ostrom's work shows that for sustainable use of the commons, clear boundaries must be drawn as to who are and who are not entitled to share in the common resources, and how these resources should be allocated.

21. Rules must be drawn up as to how common resources are allocated. These rules should optimally be made by stakeholders themselves, adapted to local conditions, and recognized by higher authorities. There must be effective monitoring, enforcement and penalties for possible misuse of the commons. For global common resources, there is no one all-encompassing way to manage them and she advocates a multi-layer and multi-pronged polycentric approach instead. Drawing on Ostrom's work, let me now conclude by suggesting ways in which we can start thinking about how to reclaim the global commons.

22. First, we must persevere in strengthening a rules-based multilateral security, economic and environmental governance system. It is impossible to manage the global commons on the basis of raw size, weight and power. Only rules that are fair and legitimate and which are administered fairly and legitimately will provide the stability and security of access to the commons, especially for smaller and weaker countries.

23. Second, we must continue to insist on reform of existing global and regional institutions so that their mandates, philosophy and modus operandi are aligned with the new political and economic realities. Granted our efforts to date have little to show for them. But in order to make some headway in managing the commons, we must resist forces that keep us trapped in the status quo.

24. Third, we should be prepared to incorporate and empower new non-state actors, wherever possible, into new global institutional arrangements. In line with Elinor Ostrom's recommendation of a polycentric approach, partnerships of various kinds and at different levels - between public, private and civil society, and in formal and informal relationships - should be forged and nurtured.

25. Fourth, there needs to be greater certainty and objectivity in international surveillance. Those that have been given the mandate to conduct surveillance, from international credit rating agencies to the International Panel on Climate Change to the International Monetary Fund, should be expected to employ high standards of impartiality in their assessments.

26. Fifth, transparency and access to information must be at the centre of efforts to manage the commons. International public perception can be a strong motivator for action and a cure for inaction when it comes to

management of the global commons. Scholarly opinion, the bright lights of media exposure and citizen mobilization can and should be used to encourage the proper use of the global commons.

27. Sixth, we need to fundamentally rethink the nature of economic growth and development. Let us free ourselves from an almost religious adherence to GDP as our barometer of success and adopt a broader way of measuring success. We need to stretch our investment horizons, improve our business practices, and ensure that in all that we do, we include the less-fortunate and also leave something behind for future generations.

Ladies and Gentlemen:

28. The issue of reclaiming the global commons will require multilevel approaches. I am confident that this forum's distinguished panel, comprising of practitioners and captains of industry can take this conversation further and devise more implementable and workable solutions. It is as good a time as any to employ creativity and innovative thinking in the stewardship of the commons towards curtailing the silent theft of our shared inheritance. But we need to first recognise the commons as exactly that - a shared inheritance, and appreciate the rich possibilities for reclaiming it.

29. I wish you much success in your deliberations and I thank you for your attention.