

Energy@CPLP and Portugal's Strategy for Open Economy

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- “Generation Lusophonia: why Portuguese is the new language of power and trade”.
- The lead article, titled “something in common”
 - stated that “there is a huge potential to unleash if powers can be combined. Could now be the time?” and
 - concluded that “the rest of the world would benefit from a bit of Lusophilia”.
- The US is indifferent to the Commonwealth of Nations, whereas Brazilians have been a driving force of CPLP; Japan and Turkey just joined as observers and previous presentations today showed how CPLP matters for energy!

G&G interaction in CPLP

- Previous waves of globalization did not involve as many players as the current one, complicating G&G interaction.
- J. Nye suggests a chessboard with 3 levels and concluded that US dominance on security is accompanied by decline on the other 2 levels:
 - security,
 - diplomacy (intergovernmental cooperation) and
 - civil society (transnational relations among private actors)
- The 4x4 analysis introduces natural resources and shows that *economic lusophonia* appropriately responds to globalization.

Dominance matrix

	US (NA)	EU	EAST ASIA	ROW
Defense	YES	NO	NO	NO
Finance	YES	YES	NO	NO
Trade	NO	YES	YES	NO
Land	NO	NO	NO	YES

Three quarters

- The dominance matrix is illustrated by dividing world GDP in 2006 into three quarters:
 - North America (US, Canada, Mexico, labeled NA);
 - European Union, labeled EU;
 - Association of South East Asian Nations plus China, Korea and Japan, the so-called Chang Mai initiative, labeled EA (East Asia).
- ROW accounts for $\frac{1}{4}$ of world GDP and $\frac{1}{2}$ of the world population, including significant nations (Brazil, Russia, India) and salient regions (Africa and the Middle East).
- The four columns (defense, finance, trade and land, i.e. endowments both for agricultural and raw materials) illustrate NA, EU, EA, ROW dominance.

The dominance of ROW

- The US dominates the first two, even though in finance the creation of the euro in 1999 may lead to a shared dominance with the dollar.
- The new development is that the members of the Chang Mai initiative trade more with NA and EU than each side of the Atlantic partners trades with the other.
- Nevertheless, the fourth quarter of world GDP remains the most endowed in people, land and raw materials so that ROW cannot be seen as a residual of East and South.

Letters to Queen Elizabeth (QE)

- In “Global crisis and national policy responses: together alone?” (published in a 2011 book edited by M. Renaud and commented by J.-P. Contzen), I used the 4x4 matrix to illustrate the popular perception of economists following the global crisis.
- In also appealed to letters written by members of the British Academy to QE following her visit to the London School of Economics on 5 November, 2008 – when she asked how come nobody saw the crisis coming.

Letters in 9 points and then 3 more

1. Ferocity not foreseen, powers not available
2. Imbalances and risk neglected
3. Global savings glut and easy borrowing
4. Wishful thinking combined with hubris about risk
5. Politicians believed bankers were engineers
6. Feel good factor led to delusion
7. Lax regulation: don't do bubbles after dot.com
8. Psychology of herding and no single authority
9. Forecasting failure: never again?
10. Horizon-scanning is distinct from forecasting.
11. Culture and institutions
12. Government did not help

Letter to Queen Lusophonia (QL)

- At its meeting of 5 November, 2009, ACL's economics and finance section hypothesized a letter where:
 - Instead of anglo-american, the geographical focus would move towards CPLP.
 - Economists joined forces with interested members of the physics and biology sections, such as Rui Vilela Mendes and Rui Malhó.
- The project, called letter to QL, involved the collaboration between ACL, IICT and CG&G and will be used in my Spring 2015 course on *Globalization and Governance (G&G)*.

Writing to Queens

- In a 2011 *NOVASBE Working Paper*, Renato Flores brought the Byzantine Empire to bear on the redistribution of economic power which took place in 1453.
- The Letter to QL also emphasized group think and incestuous amplification, familiar to neuroscientists.
- This is apparent in the booklet titled *Writing to Queens while Crises Proceed*, inserted in the proceedings of the *Science in the Tropics* conference, was published by IICT in 2013.

Rising insecurity and Leadership

- One major difference in focus is due to the rising insecurity in the Middle East and the Ukraine: it is illustrated by a novel subtitled “from fiction to reality” where the action starts in Ukraine during the second world war but moves to a competition between China and the US, leaving the EU somewhat caught in the middle.
- The novel has a number of examples from neuroscience and appeals to the importance of the media and of leadership in crisis which is prominent in the *G&G* course .

Promoting business across the regional integration platforms of CPLP

- The other difference is the evolution of CPLP from the promotion of “mutual knowledge” in connection with the MDGs to rising economic interdependence, especially in energy.
- This is reflected in the work carried out over the last twelve months by ELO, the Portuguese Association for Development and Cooperation, under the chairmanship of GALP and then that of CIP, the employers’ association, at the request of the Prime Minister.

Strategy for Open Economy 1

- Following the report of the Prime Minister's Working Party on Internationalization and Development, the Strategic Council for Open Economy (CEIE) was formed in October 2011.
- Chaired by the Prime Minister, CEIE includes the Vice Premier and the Ministers of Finance, Foreign Affairs, Economy, Energy and Agriculture, together with the Presidents of CIP and 5 other business organizations (AEP, AIP, CAP, CCP, CTP).
- CEIE met ten times to evaluate public policies and private initiatives, and their articulation aiming at opening the Portuguese economy, promoting and attracting foreign investment.

Strategy for Open Economy 2

- The Agency for Portuguese Foreign Trade and Investment (AICEP) serves as secretariat to CEIE, and the work is prepared and monitored by a group of thirteen alternates.
- CEIE approved 44 recommendations, available in the Government portal, on four areas how to:
 - (i) improve financing of the economy,
 - (ii) simplify administrative procedures
 - (iii) simplify tax administration
 - (iv) develop a coordinated and effective external economic policy.
- In 2014, CEIE and ELO have jointly been busy with a project on *economic lusophonia*, which looks not just at the member countries but at their regional integration platforms as well.

Strategy for Open Economy 3

- Apart from the EU, the regional integration platforms include SADC for Angola and Mozambique, ECCAS for Equatorial Guinea and São Tomé e Príncipe, ECOWAS for Cape Verde and Guiné-Bissau, MERCOSUL for Brazil, ASEAN - which East Timor will join - and the Forum for Economic and Trade Cooperation between China and Portuguese Language Countries (Macau).
- The *economic lusophonia* project contains a list of 45 proposals to facilitate trade and investment, international agreements, training and capacity building and the movement of persons, including schemes for implementation and monitoring.

Sectors for Tropical Knowledge

- With its associated consultants PwC and KPMG, ELO is now investigating specific measures in
 - energy and natural resources,
 - communications and infrastructure
 - financial services.
- Additional working groups - on agriculture and sea and on tourism, services, health and education – are in preparation.
- This strategy for open economy can be traced to the eve of the Berlin conference of 1885, where Portugal was keen to display its ‘tropical knowledge’.

Tropical Knowledge and Peer Pressure

- The overarching role of the global partnership for development, the single Millennium Development Goal (MDG) which includes both the private sector and scientific and cultural cooperation can be seen in
 - the “Portuguese initiative” on the historical and scientific collections of IICT, approved at the CPLP meeting of the Ministers of Science and Technology in Rio de Janeiro in 2003,
 - the Declaration of the MDGs adopted at the Bissau summit in 2006 and
 - the ongoing work on the sustainability of the MDGs after 2015.
- Cultural perceptions (which are usually called “tribal” to stress their anthropological roots) have implications for peer pressure, without which no multilateral surveillance will work.

Peer Review and CPLP

- The African Peer Review Mechanism has been more effective than the G-20 Mutual Assessment Process: as CPLP mixes OECD, MAP and APRM, its regional platforms can build on ELO's *economic lusophonia* project, the MDG examples and the work of CEIE to show that very diverse countries can use mutual knowledge to achieve common objectives in business and science.
- Geographical distance and economic diversity are the striking feature of CPLP: 1 medium-sized OECD country, 1 BRIC, 2 large SADC, 2 small ECOWAS, 2 small ECCAS, 1 small ASEAN observer +1 beach-head in another BRIC. Hence *globalization liberates lusophonia!*