ONE WORLD ORDER

Facing global scarcity of key resources, nations establish international rules to ensure their fair and sustainable use. Global trade thrives, but its course is shaped by the very visible hand of regulation, at times an iron fist in a velvet glove.

It has become clear that oil production has peaked. Renewable energy technologies have failed to live up to the heightened expectations of replacing coal and oil. The environmental crisis faced by the world's population has taken on an urgent dimension, as looming scarcity increases social and political tensions within and across nations. Policy avenues are aggressively pursued at a global level to ensure equitable access to clean air, drinkable water and healthy food for vast populations across the world, as well as the raw materials and energy required to sustain their communities.

Fearing conflicts and war over the growing scarcity of vital resources, the governments of the most powerful countries come together to create a supranational entity, the World Sustainable Trade Organization (WSTO), to regulate the use of resources and resolve disputes among nations. While many see the WSTO as a replacement for the World Trade Organization, it is in fact much stronger than the WTO ever was. The WSTO reaches far beyond trade and has been given real teeth for strict enforcement. Also, through monitoring and reporting, it dictates efficiency and penalizes waste, prioritizing usage according to global needs. All world powers and most other countries have signed the Charter of the WSTO, and are working towards full compliance with its regulatory framework.

Paradoxically, and despite the forecasts of detractors, global trade has not only remained strong, but it has actually continued to thrive in this heavily regulated world. The regulation-based system of balancing availability and needs did not replace the traditional market-based system of balancing supply and demand. Instead, it has redefined boundaries of the free market, therefore complementing it in unexpected ways. For example, grains are shipped from greener regions where they are produced in abundance to places where the land is not fertile. Metals are shipped in the opposite direction, from the arid yet mineral-rich countries towards the agricultural foci of the world. Technology and labor follow a similar pattern: less developed countries serve as providers of young labor for more technologically advanced countries, which in turn export their technology and knowledge back to the developing countries in the

form of finished goods and services. Many analysts describe the new system as one of "global optima" for the long run, where the objective is sustainable use, not just short term corporate profits.

What gives shape to trade flows is not the invisible hand of the market, but a very visible body of regulations. These are seen by many as a '*green bureaucracy,*' a necessary nuisance. At the end of the day, while individual firms still get to make - for the most part - their own decisions as to *what* to produce and *where*, it is in the *how* that the influence of the WSTO's global bureaucracy and its ever growing tapestry of regulations play an influential role, sending the right signals to the market: how much water can be used, how much CO_2 can be emitted, how discards should be recycled, etc. As a result, the speed of global trade - once mercurial and chaotic in the days of globalization - has slowed down into an optimized order, more entangled in regulations and quotas, yet less volatile and – in consequence – more predictable.

Forged by the struggle for survival of globalized markets, firms have adapted relatively quickly to the new demands of a regulated world. Tracking and offsetting of greenhouse gases, even to the level of zero emissions, is now a prerequisite for doing business. Manufacturers with similar needs have grouped together to create large scale facilities, known as *production clusters,* where they find relief in numbers. They have found it is more cost effective to comply with tight regulations when the cost of required technology can be shared by many. Production clusters, coupled with ultra-efficient supply chains that make use of sensing and advanced computing, are emerging as the greenest solution.

Regulations for urban areas have also forced local governments to adapt. Through a series of stick-and-carrot regulations, the WSTO has sent municipalities a clear message: cities much clean up their act, too. Regulations promote a more efficient use of energy and water in urban areas, a reduction in transportation emissions, and a more effective treatment of waste and sewage. The largest cities in the world now compete for subsidies, and try to avoid penalties, on the basis of improving their performance against a series of sustainability indexes. As a result, large cities have continued to grow even bigger, even as they strive to make their environmental footprint smaller and easier to offset.

Regulators have become aware that online purchasing has a much higher carbon footprint than shopping in person. In order to offset the higher per-pound emissions of home delivery, most urban municipalities have mandated parcel carriers to charge customers a flat tax on all home deliveries. The effect of this tax is felt more on smaller, cheaper packages. Since for consumers it makes little sense to pay a $5 tax for the home delivery of a $10 book, most large cities have seen the appearance of *consolidation centers,* where goods from many retailers are consolidated and delivered to the final customer only when a certain amount of products have accumulated. This has radically change 'last mile' delivery of goods in metropolitan areas. ■