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0521773156 - Contesting Global Governance: Multilateral Economic Institutions and Global Social Movements

Robert O'Brien, Anne Marie Goetz, Jan Aart Scholte and Marc Williams

Excerpt

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1 **Contesting governance: multilateralism and global social movements**

In May 1998 a crowd swarmed through Geneva attacking McDonald's restaurants and vandalising expensive hotels as part of their protest against the World Trade Organization (WTO). In preparation for the same WTO meeting a global peasant alliance cemented relations and declared their opposition to the goal of trade liberalisation. In Indonesia social unrest in response to subsidy cuts agreed between the government and the International Monetary Fund (IMF) contributed to the downfall of a government. In the same year the IMF was subject to fierce criticism for its handling of the East Asian debt crisis by Indonesian trade unionists and the prime minister of Malaysia. In South Korea unions engaged in strikes in order to combat IMF and World Bank restructuring prescriptions. The closing years of the twentieth century have been marked by increasing opposition to the operation of multilateral economic institutions.

Although the US scholarship ignores the distributional effect of international institutions, preferring to debate their theoretical relevance to the study of international relations (Martin and Simmons 1998), there is little doubt that for hundreds of millions of people institutions such as the IMF, World Bank and WTO matter a great deal. The terms of IMF structural adjustment programmes influence the life chances of people in developing countries, a World Bank decision to prioritise girls' education can open the possibility for personal and community development; and the ability of the WTO to balance environmental concerns with trade liberalisation may save or condemn an ecological system. The operations of these institutions have serious ramifications for many people far from the decision-making centres of Washington and Geneva. It is little wonder that the people on the receiving end of these institutions' policies are increasingly

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mobilised to influence the structure and policies of the institutions themselves. The collision between powerful economic institutions and social movements in many countries has led to a contest over global governance. The contest takes place both over the form of the institutions (their structure, decision-making procedures) and over the content of their policies (free market oriented or a balancing of social values). It is this contest that is the subject of this book.

Contesting global governance

Governance, according to the Commission on Global Governance (1995: 2), is the sum of the many ways that individuals and institutions, public and private, manage their common affairs. Since world politics is characterised by governance without government (Rosenau and Czempiel 1992), the process of governance encompasses a broad range of actors. In addition to the public (interstate) economic organisations such as the IMF, World Bank and the WTO, states retain a key decision-making role. Indeed, most of the international relations literature that deals with regimes views states as the only significant actor (Hasenclever, Mayer and Rittberger 1997). Large scale private enterprises or multinational corporations also participate in governance by attempting to influence the activity of international organisations and states. In some cases, private enterprises have created their own systems of regulation and governance (Cutler, Haufler and Porter 1999). This study focuses on the relationship between multilateral economic institutions (MEIs) and global social movements (GSMs) as one aspect of a much wider global politics (Shaw 1994a) and governance structure. Where possible, we take account of other actors and their relationship to the objects of this study.

Since the early 1980s there has been a gradual change in the functioning of key MEIs. Although the extent of this change has varied across institutions, the pattern of increasing engagement with social groups is noticeable. MEIs are moving beyond their interstate mandates to actively engage civil society actors in numerous countries. In order to gauge the significance of such developments this book investigates the interaction between three MEIs and three GSMs.¹ The MEIs are the IMF, the World Bank, and the WTO while the GSMs are the environmental, labour and women's movements.

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We argue that there is a transformation in the nature of global economic governance as a result of the MEI–GSM encounter. This transformation is labelled ‘complex multilateralism’ in recognition of its movement away from an exclusively state based structure. To date the transformation has largely taken the form of institutional modification rather than substantive policy innovation. Such changes explicitly acknowledge that actors other than states express the public interest. While signalling a clear alteration to the method of governance, the change in the content of governing policies and the broad interests they represent is less striking. In the short run the MEI–GSM nexus is unlikely to transform either institutional functions or their inherent nature to any significant degree. In the longer run, there is the possibility of incremental change in the functioning and ambit of these key institutions. Complex multilateralism has not challenged the fundamentals of existing world order, but it has incrementally pluralised governing structures.

The relationship developing between MEIs and GSMs highlights a contest over governance between old and new forms of multilateralism. The ‘old’ or existing dominant form of multilateralism is a top down affair where state dominated institutions are taken as given and minor adjustments in their operation are suggested (Ruggie 1993). The ‘new’ or emerging multilateralism is an attempt to ‘reconstitute civil societies and political authorities on a global scale, building a system of global governance from the bottom up’ (Cox 1997: xxvii). The new multilateralism offers a challenge to existing multilateralism not just because it entails institutional transformation, but because it represents a different set of interests.

The concept of a state centric multilateralism as form of international organisation has been outlined by John Ruggie. In an attempt to re-establish the importance of cooperative international institutions to the study of International Relations, Ruggie and a number of colleagues have argued that ‘multilateralism matters’. He defines multilateralism as ‘an institutional form that coordinates relations among three or more states on the basis of generalized principles of conduct’ (Ruggie 1993: 11). There are two elements of this definition which help us understand the tension between existing and new forms of multilateralism in the MEI–GSM relationship. The first is the limiting of multilateralism to ‘three or more states’ and the second is the status of ‘generalized principles of conduct’.

The conduct of the IMF, World Bank and the General Agreement on

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Tariffs and Trade (GATT) before the 1980s was indicative of this state form of multilateralism. The organisations were dominated by member states, had little institutionalised connection to civil societies within member states and were intent upon generalising a particular set of principles. Under increased pressure from some elements of civil society for transparency and accountability the institutions have in the 1990s embarked upon a strategy of incremental reform. The intent is to extend and universalise existing multilateralism while blunting opposition through coopting hostile groups. Existing multilateralism can be universalised through geographic extension to new countries as well as a strengthening of the generalised rules of conduct. An example of the first is bringing China into the WTO while an example of the second is a strengthening of the WTO dispute settlement mechanism. One method of blunting opposition to this extension is to create links with hostile groups and integrate them into a governing structure so that their outright opposition is diminished.

This form of multilateralism has recently been challenged by a strategy termed 'new multilateralism' by its proponents. The concept, and political project, of new multilateralism has emerged from a four-year project on Multilateralism and the United Nations System (MUNS) sponsored by the United Nations University (Cox 1997; Gill 1997; Krause and Knight 1994; Sakamoto 1994; Schechter 1998a, 1998b). Its goal is to foster a form of multilateralism which is built from the bottom up and is based upon a participative global civil society. It differs in three major respects from existing multilateralism. Firstly, the new multilateralism is an emerging entity that does not yet exist in its final form. It is slowly and painfully being created through the interaction of numerous social groups around the world. Secondly, while engaging with existing multilateralism, it attempts to build from the bottom up by starting with social organisations independent of the state. It does not view the state as the sole representative of people's interests. Thirdly, the new multilateralism is an attempt at post-hegemonic organising. This last point requires some clarification.

A hegemonic approach to multilateralism takes a dominant set of assumptions about social life and then attempts to universalise these principles through expanding key institutions. For example, hegemonic assumptions might include the primacy of free markets in the allocation of resources or the naturalness of patriarchal social relations. A post-hegemonic approach to multilateralism must begin with far more modest assumptions. It acknowledges the differences in

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assumptions about the social world and attempts to find common ground for cooperation. In the place of universalistic principles of neoclassical economics one is aware of alternative methods of social organising and cultural diversity.

The advent of a new multilateralism is itself marred by uncertainties. The challenging of states' legitimacy to act on behalf of peoples raises questions about the relationship between other forms of representation or advocacy. Is the dominance of Northern interests reproduced in the new multilateralism? Does it weaken the power of all states or have a disproportionate influence upon those states that are already weak? Does it excessively complicate the functioning of existing multilateral institutions or provide an opportunity for them to serve the interests of a broader community? The exercise of power by dominant states, institutions or social groups remains an issue of concern.

Our argument is not that the various organisations and groups encountered in this book would necessarily identify themselves as defenders of an established, state centric multilateral system or part of the new multilateralism project, but that their actions are contributing to just such a contest. On one side an effort is being made to reform existing MEIs so that they can better perform their liberalising agenda. On the other side is an attempt to transform the institutions so that policy process and outcomes are radically different. Our research captures a particular moment in the meeting of old and new forms of multilateralism. The relative opening of MEIs to GSMs reveals their attempt to adjust to a new structural environment. However, this opening is often limited by a preference to maintain policy effectiveness and pre-empt a far reaching restructuring of multilateralism or transformation of the principles underlying existing policies. Although the nature of interaction varies across the MEI-GSM nexus, the obstacles to mutual accommodation are large. The developments sketched in this book are likely to be only a brief chapter in the struggle to influence the structures of global governance.

The evidence of our investigations suggest that we are witnessing the development of a hybrid form of multilateralism. We call this hybrid *complex multilateralism*. It is discussed in more detail in the final chapter, but its outlines can be sketched here. Complex multilateralism has five central characteristics. The first characteristic is varied institutional modification in response to civil society actors.

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International public institutions are modifying in response to pressure from social movements, NGOs and business actors, but this varies across institutions depending upon institutional culture, structure, role of the executive head and vulnerability to civil society pressure. A second characteristic of this institutional form of international relations is that the major participants are divided by conflicting motivations and goals. The goal of the institutions and their supporters is to maintain existing policy direction and facilitate its smoother operation while the goal of many civil society actors, and certainly social movements, is to change the policy direction of the institutions.

The clash of rival goals leads to a third characteristic, namely the ambiguous results of this form of organisation to date. If accomplishments are defined in terms of the actors achieving their own goals, both institutions and social movements have enjoyed only limited success. A fourth characteristic of complex multilateralism is its differential impact upon the role of the state depending upon the state's pre-existing position in the international system. It tends to reinforce the role of powerful states and weaken the role of many developing states. A fifth aspect of complex multilateralism is a broadening of the policy agenda to include more social issues. MEIs are finally being forced to address the social impacts of their policies.

Context of the MEI–GSM relationship

The MEI–GSM relationship is embedded in a broader context that provides the opportunities and incentives for increased interaction. This section briefly reminds the reader of the context. Three areas are noteworthy. The first is a series of structural changes in the global political economy that are often referred to as 'globalisation' which has laid the groundwork for greater MEI–GSM interaction. The second is a transformation of the mandate and roles of the MEIs. New mandates and greater responsibilities of the IMF, World Bank and WTO have increased the importance of these institutions for civil society actors. A third development is the increasing significance of global social movement politics.

Structural transformations in the global political economy

Five of the most significant structural changes in the global political economy which provide a background to increased MEI–GSM contact

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are: the liberalisation of economies; innovation in information technology; the creation of new centres of authority; instability in the global financial system; and changes in ideology. Let us briefly consider how each of these affects our area of study.

Liberalisation of economies

The decade of the 1980s witnessed a three pronged advance of economic liberalisation in the global political economy. In developed countries a process of deregulation, including financial deregulation and globalisation, liberalised OECD economies. Although this was much more pronounced in Britain and the United States, other countries have also been opening up their markets and deregulating. In the developing world the search for capital following the debt crisis resulted in the 'triumph of neoclassical economics' in many states (Biersteker 1992). This involved the liberalisation of economies following IMF/World Bank structural adjustment programmes, as well as unilateral liberalisation. Finally, the collapse of communism in Eastern Europe and the former Soviet Union brought vast new areas into the global economy that had been relatively insulated for at least forty years. Even in China a process of selected opening to Western investment added to the liberalisation bandwagon. The exposure of increased numbers of people to market forces has also led to greater concern about how such markets will be regulated.

Increase in information technology

An increase in the ability of people to communicate with each other over vast distances has had two significant effects. Firstly, it has facilitated liberalisation by providing an infrastructure for increased capital mobility. This has occurred both in the area of linking financial markets and in facilitating the operation of multinational companies. Secondly, developments such as faxes, the Internet and e-mail have facilitated the networking of groups in civil society. The rise of the network society (Castells 1996) lets groups that were formerly isolated communicate with each other and share information about common concerns. In some dramatic instances this has facilitated political mobilisation and democratisation (Jones 1994).

New centres of authority

A third factor has been the creation of new centres of authority beyond the state (Strange 1996). Some of the centres have been in the

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private sector, such as bond rating agencies (Sinclair 1994) while some have taken the form of regional regulation such as the European Union or NAFTA. In other cases it can be seen in the increased importance of MEIs in making authoritative statements about how state economic policy should be conducted. This dispersal of authority across national, regional and global levels has implications for citizens. In order to influence such authorities citizens must either force their states to engage actively with these new centres or they must attempt to engage the authorities directly. In practice both options may be pursued. In some cases this necessitates the transnationalisation of citizen activity.

Global financial instability

The 1990s has seen a series of financial crises sweeping over Mexico, Russia, Brazil and East Asia. This instability has led to a questioning of the principles and institutions governing global finance. The East Asian crisis, in particular, has created calls for reflection and action. In the second half of 1997 a financial crisis began in Thailand and swept its way through a number of South and Southeast Asian countries including Indonesia and South Korea. Countries that had only recently been regarded as development miracles by the World Bank (1993a) suddenly seemed very fragile. A currency crisis turned into a financial crisis, threatening the health of a number of countries and the stability of the international financial system. This had three important implications for our study. Firstly, the damage inflicted by rapid capital movements on formerly thriving countries led to an intense debate over the desirability of capital controls (Wade and Veneroso 1998). The relative insulation of countries which had systems of capital control such as India and China encouraged other states to consider and implement controls. This challenged MEI economic orthodoxy and provided the context for a much wider debate about MEI policy and policy formation.

Secondly, the crisis revealed the extent to which MEIs were vulnerable to civil society pressure. In developed states the IMF's seemingly inadequate response to the crisis unleashed a wave of criticism and necessitated a strong defence (Feldstein 1998; Fischer 1998, Kapur 1998). In developing countries the IMF and the World Bank were forced to seek strategic social partners that might help them implement their economic packages. The political vulnerability of financial reform packages became apparent to MEIs and provided an unprece-

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dented opportunity for civil society groups to influence institutional policy. Details of this process are contained in the case studies later in the book.

The third implication was that the financial uncertainty arising from the economic crisis fed a broader reconsideration of ideological positions. A limited, but significant ideological shift can be detected in MEIs and amongst state elites in the late 1990s.

Ideological shifts

By the mid-1990s leaders in several Western states were turning away from the pure liberal principles of the Thatcher/Reagan years. In pursuit of the 'radical centre' President Bill Clinton in the United States and Prime Minister Tony Blair in the United Kingdom sought to facilitate the restructuring of their economies in a way that would make them more competitive, but with some attempt to temper market excesses. Although continuing to give emphasis to the market, they called for new methods of regulation and policy prescriptions to temper the excesses of the market or to carve out competitive niches within the market. Labour, environmentalist and women's groups encountered a more friendly reception in the halls of power even though their agendas were not automatically taken up.

In the international arena a number of voices, sometimes from unlikely sources, called attention to the issue of social provision and the reregulation of markets. After making a fortune through financial speculation, financier George Soros became a leading figure calling for increased social and financial regulation (Soros 1997). By 1998 a Senior Vice President of the World Bank could be found making speeches about the failure of the 'Washington consensus' (neoliberal policy prescriptions) to assist in development (Stiglitz 1998). During the 1999 annual meeting of the World Economic Forum the UN Secretary General added his voice to the growing numbers of prominent people calling for social regulation to soften the impact of globalisation (Annan 1999). Concern was expressed at the social costs and political fragility of neoliberal globalisation. This marked a significant shift from earlier agendas of preaching rapid liberalisation as the solution to the world's problems.

Thus, from a perspective of what resonated with governing ideology, by the end of the 1990s more interventionist policies could once again be considered. This was not a return to Keynesianism, but it was a more open arena for people suggesting that neoliberalism

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should be tempered in the interest of domestic and/or global society. Although a far cry from the favoured policies of environmentalists, labour unions or women's movements, the shift in governing rhetoric to calls for a tempered form of liberalism provided a more inviting space for the social movement advocates that feature in this study.

Institutions in transition

MEIs have been transforming in response to structural changes in the economy. In general, they have taken a more prominent role in governing the economy and expanded or modified their mandates for action. For example, following the outbreak of the debt crisis in 1982 the IMF took on a significant role in guiding the restructuring of indebted countries so that private capital would renew flows to such countries. This process involved the negotiation of structural adjustment programmes (SAPs) with debtor governments. SAPs advocated the liberalisation of economic policies and the privatisation of many state owned industries and some government services. In the 1990s the IMF has also served as a key institution in attempting to stabilise an increasingly volatile financial system as short term capital movements undermined the Mexican economy in 1994 and attacked East Asian economies in 1997. With the end of the Cold War the IMF began to play a prominent role in the transition economies in Eastern Europe and the former Soviet Union. The East Asian crisis of 1997 also expanded the IMF's geographic scope as it shifted its attention from the debtors of the 1980s to the tiger economies of Asia. It has also brought it into negotiating the liberalisation of these states' economic policies and the restructuring of their financial sectors to achieve greater transparency.

The World Bank has also gone through an extensive transition in the past twenty years. It has moved away from financing particular development projects to supporting policies which facilitate structural adjustment (Gilbert *et al.* 1996). Investment in physical infrastructure was increasingly replaced with investment in economic infrastructure in the form of 'appropriate' policies and sectoral restructuring. It has moved closer to the IMF's role of reorganising domestic economies so that they are more competitive in the international market. Conditionality attached to loans has become the key mechanism for ensuring compliance with this restructuring imperative. Since 1997 the Bank has begun lending directly to subnational units, such as Brazilian and