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Harnessing globalization amid the crisis facing multilateralism

One of my first trips on becoming WTO Director-General in 2005 was to Chile. I went at the invitation of my old friend and then Chilean President Ricardo Lagos, a fellow Social Democrat and someone who had thought hard about globalization and its advantages and drawbacks. Chile was then and is now one of the most open economies in Latin America. It has been one of the most successful in achieving economic growth, although it continues to face significant economic and social challenges, such as growing inequality. One of President Lagos's major concerns was how to 'humanize' the phenomenon of globalization so that its benefits would be felt as widely as possible among all strata of society and become a force for social and economic development. It was to be one of my prime concerns throughout my time at the WTO.

Globalization has enabled individuals, corporations and nation states to influence activities around the world – making the exchange of goods and services faster, deeper and cheaper than ever before. Globalization can be defined as a historic expansion of market capitalism, comparable in many respects to the Industrial Revolution of the nineteenth century. It is a fundamental transformation of society brought about largely by the ongoing technological revolution. Globalization has led to the disappearance of many barriers: it has the potential to expand freedom, democracy, innovation and

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social and cultural exchanges, while offering huge opportunities for greater dialogue and understanding.

But the global nature of an increasing number of worrisome phenomena – the scarcity of energy resources, the deterioration of the environment and the spread of pandemics (AIDS, bird flu), the growing interdependence of economies and financial markets and the ensuing knock-on effect of financial crises, and greater movement across borders provoked by insecurity, poverty or political instability – are also a product of globalization.

Nobody would dispute that there is a widening gap between global challenges and the traditional working methods of our international institutions. What can we do to bridge this gap? Some advocate de-globalization: let's turn our backs on globalization, let's lessen our interdependence and the world will get better! I do not think this can work. It is neither possible, nor desirable. It is not possible because the main engine of globalization is technological progress, and technology moves forwards, not backwards. And it is not desirable either. Who would want to give up the benefits that come with globalization? Should we stop travelling by plane to avoid the spread of pandemics? Are we ready to renounce our cherished mobile phone and Internet connection? Should we put a halt to global production chains (see Chapter 2), which have helped so many developing countries to benefit from open trade? The reality we live in has its downsides, but it has many advantages. It is illusory to think we can turn our backs on globalization.

So what option do we have but to increase our capacity to manage global challenges by improving global

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governance? We must harness globalization so that it becomes a force that promotes human development. And harnessing globalization has been my 'work in progress' for a long time.

The fall of the Berlin Wall in 1989 was a turning point in globalization. The end of the Cold War led to an unprecedented era of economic openness. We saw a reduction in poverty like never before. Freedom expanded and with it ideas, culture and technology. And yet over twenty years later the world is in a state of serious distress. We are struggling to emerge from the worst-ever economic crisis and the first such crisis to have a global reach; a crisis that has seen the decimation of employment. We are seeing our planet deteriorate due to global warming, with severe droughts and violent floods and entire islands disappearing under water. We face the awful threat of nuclear proliferation.

The fact is that the end of the Cold War caught everyone by surprise. It was the end of a bipolar world. A new world order was born, but there was not enough thinking and discussion about global governance. Post 1989, there was no equivalent to the Bretton Woods Conference of 1944, which laid the foundations for a new international financial order to follow World War Two, or the San Francisco Conference, which resulted in the United Nations Charter. As a result, global governance structures did not adjust. And here lies the root of many of today's problems. Global challenges need global solutions and these can only come with the right global governance, which today, twenty years later, remains too weak.

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New forms of global governance

The new issues being raised by global crises and by certain political developments oblige us to contemplate new forms of governance. To address global questions, problems, threats, fears, at the appropriate level, we need more, and better, governance at the global level responsive to emerging global challenges. Global governance should be understood as the system that helps a global society achieve its common purposes in a sustainable manner – that is, with equity and justice. Interdependence requires that our laws, our social norms and values, and other mechanisms for framing human behaviour – family, education, culture, religion, to name only a few of them – be examined, understood and operated together as coherently as possible so as to ensure our collective, effective sustainable development.

The term ‘governance’ was first used in twelfth-century France, where it was a technical term designating the administration of baillages, or bailiwicks. As with the word ‘government’, it comes from the Latin word for ‘rudder’, conveying the idea of steering. From France, it crossed the Channel and in England came to designate the method of organizing feudal power. Underlying feudal power were adjacent ‘suzerainties’, among which there had to be coherence. There was no central power as such, but a body, *primus inter pares*, whose purpose was to settle disputes peacefully and see that any conflicting interests were reconciled by consultation with those involved. Governance, which largely disappeared as a concept in the sixteenth century with the emergence of the nation state, thus focused on unity – not uniqueness – of

NEW FORMS OF GLOBAL GOVERNANCE

interests. If we liken international society to a medieval society in its lack of any organized central power, then it needs governance. In other words, it needs a concept that affords a basis for the organization of power, or the elements of consultation and dialogue necessary to secure greater harmony.

The discrepancy between today's interdependence, the challenges resulting from it and the capacity of governments to agree politically on how to deal with it is striking. The international system is founded on the principle and politics of national sovereignty: the nation state is the principal actor on the international stage. This is known as the 'Westphalian' order – named after the treaties of 1648 that put an end to Europe's Thirty Years War – and it remains very much alive in the international architecture of today. In the absence of a truly global government, global governance results from the action of sovereign states. It is international, between nations. In other words, global governance is the globalization of local governance. But it is not enough to establish groupings or specialized international organizations to ensure a coherent and efficient approach to the global problems of our time. In fact, the Westphalian order is a challenge in itself. The recent crisis has demonstrated it brutally. Local politics have taken the upper hand over addressing global issues. Governments are too busy dealing with domestic issues to dedicate sufficient attention and energy to multilateral negotiations, be they trade negotiations or climate negotiations.

During my professional life, I have had the opportunity to work at three different levels of governance, which I compare to the three states of mass: the national level, which

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in my view represents the solid state; the European level, which is liquid; and the international level, which is more like the gaseous mass. The challenge for global governance today is to try to move from its current gaseous state to a more solid one.

There are four main challenges facing the creation of an effective system of global governance today.

The first one is leadership, i.e. the capacity to embody a vision and inspire action, in order to create momentum. Who is the leader? Should it be a superpower? Should it be a group of national leaders? Selected by whom? Or should it be an international organization?

The second challenge is efficiency, by which I mean the capacity to mobilize resources, to solve problems in the international sphere and to bring about concrete and visible results for the benefit of the people. The main challenge here is that the Westphalian order gives an advantage to the 'naysayers', who can block decisions and prevent any results being achieved. The ensuing viscosity of international decision-making, and you have to look no further than the UN Security Council, puts into question the efficiency of the international system as it stands today.

The third challenge is coherence. The international system is based on specialization, with each international organization focusing on a limited number of issues. The WTO deals with trade, the International Labour Organization (ILO) with labour issues, the World Meteorological Organization (WMO) with meteorology and so on. There is a need to increase coherence in the actions taken within each of these international organizations.

TRIANGLE OF COHERENCE

The last challenge is that of legitimacy – for legitimacy is intrinsically linked to proximity, to a sense of ‘togetherness’. By togetherness, I mean the shared feeling of belonging to a community. This feeling, which is generally strong at the local level, tends to weaken significantly as distance to power systems grows. It finds its roots in common myths, a common history and a collective cultural heritage. It is no surprise that taxation and redistribution policies remain mostly local!

There is one place where attempts to deal with these challenges have been made and where new forms of governance have been tested for the last sixty years: in Europe. The European construction is the most ambitious experiment in supra-national governance ever attempted. It is the story of a desired, delineated and organized interdependence between member states. How has this endeavour coped with the challenges I have just outlined? These are not easy times for the European integration process, with doubts emerging about its future course. I nevertheless believe that it teaches us valuable lessons for global governance.

Triangle of coherence

Here are a few pragmatic ideas for a possible way forward to bridge the global governance deficit. First, the European experience offers valuable lessons both in terms of institutions and tools. In terms of institutions, the European integration process shows that supra-national governance can work. Of course, this does not go without difficulties, and it is highly unlikely that what was done at the European level can be replicated as such at the international level. The European paradigm was developed

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under very specific conditions of temperature and pressure. It was shaped by the geographical and historical heritage of a European continent devastated by two world wars. Hence there was a collective aspiration for peace, stability and prosperity. It is my firm conviction, however, that when it comes to institutions at the global level, there is a way to articulate the three elements of governance – leadership, efficiency and legitimacy – through what I call the ‘triangle of coherence’.

On one side of the triangle lies the G20 group of leading developed and developing countries, which has essentially replaced the former G8 that was made up of the seven leading Western industrialized states plus Russia. For decades the G7 and then the G8 had sought to provide some form of global leadership. The G20, which includes such developing countries as China, India, Brazil, Turkey, Indonesia, Mexico and Saudi Arabia, better reflects the current distribution of global economic power. The G20 can provide political leadership, policy direction and coherence. The second side of the triangle is the United Nations, which can offer global legitimacy through accountability. On the third side of the triangle lie the international organizations, which provide expertise and specialized knowledge.

This ‘triangle’ of global governance is emerging. Bridges linking the G20 to international organizations and to the UN system have started to be built. As WTO Director-General, I participated in G20 meetings, alongside the heads of a number of other international organizations. Specific sessions dedicated to trade have been regularly organized during G20 summits. The political backing of the G20 allowed me, at the dawn of the 2008 financial crisis, to launch

COMMON VALUES

a strengthened monitoring of trade policy developments within the WTO, which has proved a useful and powerful tool to contain protectionism.

In terms of tools, I believe that the European experience of rule-making, transparency and peer review offers interesting avenues for the global level. Peer review appears to me an efficient ‘Westphalian’ tool of governance. It leverages the pride and self-esteem of sovereign nations. Within the European Union it is used frequently, with the European Commission monitoring the actions of individual states in a number of policy areas, including the application of the rules of the single market, state aid to industries and environmental questions, to name just three. Globally there are also examples. The United Nations Human Rights Council, despite the criticism often levelled against it for being too ‘politicized’, ensures that the human rights record of every member state is periodically scrutinized. In other words, every country gets its day in the dock. The system of peer review needs to be used more widely, particularly in the economic sphere, where the UN’s Economic and Social Council (ECOSOC) could play a greater role. Finally, one needs to pay more attention to values. Institutions alone cannot do the trick. Our experience with global governance to date demonstrates that. A successful system of governance requires not only institutions and tools, but also a common objective and shared values.

Common values

What is lacking today is a platform of common values at the international level, in the name of which actions are taken.

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The question of social inequalities, for example, is not embodied in the UN vision as designed in the 1950s. Our world needs a platform of common values, which would be shared not only by the ‘West’, but also by the ‘Rest’. Globalization brings into contact peoples and societies that have made historical choices that are sometimes similar, sometimes very different from one place to another. A debate about collective values, regional or universal, has become a necessity. This debate on shared values might allow us to define the common goods or benefits that we would like to promote and defend collectively on a global scale. Without a basic agreement of this kind, it is difficult to talk about global ‘public goods’. Public goods – things that are perceived as beneficial in the sense that trade can be seen as a ‘good’ because it brings growth – are necessarily underpinned by common values.

If we are to address efficiently today’s global challenges, which in many cases are related to the defence, promotion or protection of global public goods, we need to share a collective sense of values. In fact we need a new declaration of global rights and responsibilities – a global charter of values that goes beyond the Universal Declaration of Human Rights.

German Chancellor Angela Merkel, together with other leaders, suggested in 2009 that the G20 agree to the drawing up of a global charter for sustainable economic activity. The ILO, the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD), the World Bank and the WTO would have had the task of supporting the elaboration of the text. The G20 failed to agree on the plan in 2009, but perhaps in time