

« Global governance, from theory to practice »

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Dear President,
Distinguished guests,
Ladies and Gentlemen,

It gives me great pleasure to be here today to close this conference on "Multilevel governance of interdependent public goods". Since its establishment in the early 70's, the European University Institute of Florence has remained true to its founding values of being a leading research center on European integration and governance issues. Strongly anchored in Europe, but open to the world, the Institute is a privileged observatory of governance issues. What better place than this one to reflect on the question of global governance?

But before turning to today's topic, I would like to pay tribute to a great Italian, a great European, and a great friend of the European University Institute, Tommaso Padoa-Schioppa, who took great interest in the issue of global governance and who – I understand – left his archives to the Institute.

Global governance is a complex issue, and I am sure the two days of discussions you have just had confirm this. Part of the difficulty in thinking global governance lies in the gap between theory and practice.

What does the dominant theory tell us? That the international system is founded on the principle of national sovereignty. That the Westphalian order remains the basis of the international architecture, and that global governance can only result from the action of sovereign States. In other words, that global governance is the globalization of local governance. This theory of governance, which has not substantially changed for centuries, is based on the transitivity of both coherence and legitimacy: as States are coherent and legitimate, global governance is necessarily coherent and legitimate as well.

Unfortunately, the practice tells us otherwise. It does not suffice to establish international organizations to ensure a coherent approach to address the global problems of our time. What my five years at the WTO have taught me is that when it comes to international action, States are often incoherent. The right hand often does not know what the left hand is doing. Nor does it suffice for organizations to be "member driven" to ensure their legitimacy in the eyes of citizens.

In order to remedy the "coherence gap", attempts have been made to establish legal bridges between international organizations. Clear and strong legal bridges have been built, for example, between the WTO and the World Intellectual Property Organization.

But this remains the exception, not the rule. Legal bridges between international organizations are often weak. This is the case in the field of environment, where the

existing legal bridges are thin - but negotiations are underway under the Doha Development Agenda to try and strengthen them. In some other instances, these legal bridges have been overtaken by events, and their relevance is questioned by some, as is the case between the WTO and the IMF. Article XV of the GATT, which stipulates that Member States shall not, by exchange action, frustrate their trade opening commitments, made a lot of sense under a fixed exchange rate regime. But today we no longer have a fixed exchange rate regime.

As for the legal bridges between the WTO and the International Labour Organization, they are quasi-inexistent. Why that? You may have guessed: because Member States have opposed building such bridges! We're back to the coherence problem. International organizations may endeavour to do their best to "deliver as One", to refer to the well-known initiative launched by the United Nations a few years ago, but we still have to see "Member States delivering as One" in the different international organizations which make up the international system.

What these few examples show is that theory and practice do not match. And when the practice challenges the theory, the latter needs to evolve. But we cannot afford to wait for a new fully fledged theory to be developed and agreed upon. Today's world is confronted with major global challenges. We cannot afford to stay still and to passively observe what is happening in front of our eyes. We need to move forward. Pragmatic solutions need to be found now to enhance global governance and better address the problems that our world is facing.

If one looks at governance from a practical point of view, three elements are necessary. First, governance needs to provide leadership, the incarnation of vision, of political energy, of drive. Second, it needs to provide legitimacy, which is essential to ensure ownership over decisions that lead to change. Ownership to prevent the in-built bias towards resistance to modify the *status quo*. Finally, a legitimate governance system must also ensure efficiency. It must bring about results for the benefit of the people at a reasonable cost.

These three elements condition a fourth one, which you would have understood, is of critical importance in my view: coherence. A good governance system cannot be about the right hand not knowing what the left hand is doing. Or, even worse, it cannot be about knowingly moving them in different directions.

At the national level, the three elements I just mentioned - leadership, legitimacy and efficiency - are within the same hands: within the hands of the "government". But at the international level, delivering these three elements is much more complex: Who is the leader? Can legitimacy be assured by other means than citizens voting in a ballot? Are specialized international organizations, which are scattered all over the place, efficient? No wonder, under such circumstances, that building coherent global governance is a real challenge!

There is one place, however, where the Rubicon of supra-nationality has been crossed and where new forms of governance have been tested: in Europe. More than half a century ago Jean Monet said: *"the sovereign nations of the past can no longer provide a framework for the resolution of our present problems: And the European Community itself*

is no more than a step towards the organizational forms of tomorrow's world". This was as valid then as it is now.

The European integration process is the story of a desired, defined, and organized interdependence between its member states. It is the story of 50 years of institutional integration aimed at bringing together, at the regional level, the three elements of leadership, efficiency, and legitimacy. Through the creation of a supranational body, the European Commission, which had the monopoly of initiating legislation - legislation which takes precedence over national law - and the power to implement policies. Through the European Court of Justice, whose decisions are binding on national judges. Through also a Parliament composed of a senate of member states and a house of representatives elected by European citizens and which has gained in competences over the years.

This institutional machinery made the European Union a radically new economic and political entity on the scene of international governance. It armed it to show leadership to implement policies and projects that have proved real successes. I think here of the creation of the internal market in 1992 and of the Euro in the late 1990s.

The picture is more nuanced with respect to external leadership, that is the capacity to influence world affairs. Europe is capable of exerting leadership when it can speak with a "single mouth" and not as often coined with a single voice, as in international trade, where the European Union has positioned itself as one of the key player of the multilateral trading system. Overall, in terms of leadership and efficiency, Europe, in my view, did score rather highly. A view shared by many Europeans if we are to believe recent polls which rank the European Union ahead of national governments in the way it acted to tackle the crisis.

Where the European Union fares not so well is with respect to legitimacy. We are witnessing a growing distance between European public opinions and the European project. One could have expected that the European institutional set up, with growing powers entrusted to the European Parliament would have resulted in greater legitimacy, but this is contradicted by the declining numbers participating in elections to the European Parliament. In theory there is no democratic deficit. Despite constant efforts to adapt the European institutions to democratic requirements, over the past 50 years, there has been no resulting democratic spark. Euroscepticism is on the rise. Europe continues to butt against the question of legitimacy.

What can the European integration process as conceived by the founding fathers, which was the most achieved system of supranational governance, teach us for global governance? Let me try to lay out a few pragmatic ideas for a possible way forward.

First, the European experience 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 at the international level. The cards are different. The European paradigm was developed under very specific conditions of temperature and pressure. It was shaped by the geographical and historical heritage of the European continent; a continent ravaged by two world wars and haunted by the

Holocaust, which left millions dead. Hence a strong aspiration for peace, stability and prosperity.

It is my firm conviction, however, that one can find a way to better articulate the three elements of governance at the global level through what I have called the "triangle of coherence".

On one side of the triangle lies today the G20, replacing the former G8 and providing political leadership and policy direction. The second side of the triangle is the United Nations, which provides a framework for global legitimacy through accountability. On the third side lie member-driven international organizations providing expertise and specialized inputs be they rules, policies or programmes.

The good news is that this "triangle" of global governance is emerging. Bridges linking the G20 to international organizations, and to the UN system have started to be built. I myself participate 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, giving us, at the WTO, the political impetus we need to push through our agenda. The political backing of the G20 allowed me, at the dawn of the 2008 financial crisis, to launch a strengthened monitoring of trade policy developments, which has proved a useful and powerful tool to contain protectionism.

Several initiatives have also been taken to strengthen the links between the G20 and the United Nations. Joseph Deiss, the President of the UN General Assembly, organized informal debates at the General Assembly with the G20 presidencies, before and after the last G20 summit held in South Korea. Informal debates in which the UN Secretary General participated. Further such debates are scheduled prior and after the next G20 meeting. In addition, an informal debate of the General Assembly on global governance is planned for June to explore ways to revitalize the ECOSOC, the UN Economic and Social Council.

A revamping of the ECOSOC would, in my view, lend valuable support to the "Delivering as One" project that the UN Secretary General launched a few years ago to enhance UN system-wide coherence. This would constitute a potent mix of leadership, inclusiveness and action to ensure more coherent and effective global governance. In the longer term, we should have both the G20 and the international agencies reporting to the "parliament" of the United Nations.

So things are moving! Maybe not exactly "à la Montesquieu". Maybe more in networking and informal mode. Mechanisms of information and exchange are being put in place. In parallel, improvements are also being made to strengthen the three sides of global governance.

Leadership has been strengthened by being made more representative. The G20 now embraces countries from both North and South America, Europe, Africa, the Gulf, Asia, and Oceania.

Efficiency is being improved through the establishment of co-operation mechanisms between international organizations, such as the Chief Executive Board of the United

Nations, chaired by the UN Secretary General, which brings together twice a year the heads of all UN agencies, of the two Bretton Woods Institutions (the World Bank and the IMF), and of the WTO.

Joint initiatives have flourished. The WTO, for example, delivers a number of technical assistance activities in co-operation with UNDP, UNCTAD, WIPO, and the World Bank. It coordinates the delivery of technical assistance with other international organizations through the Aid for Trade initiative and the Enhanced Integrated Framework. The WTO has published several joint studies: with UNEP on "trade and climate change", with the ILO on "trade and employment" and "globalization and informal jobs", and more recently with the OECD, the ILO and the World Bank on "Seizing the Benefits of Trade for Employment and Growth" in preparation for the G20 summit in Seoul. We also participate in the High Level Task Force on Food Security that the UN Secretary General established in 2008. Another recent initiative worth noting is the IMF/ILO conference that took place in Oslo in August last year to discuss ways of accelerating a job-rich crisis recovery. All these initiatives have one aim: to enhance coherence and efficiency of our global actions.

Finally, the legitimacy of international organizations has been enhanced through a readjustment of voting rights in the World Bank and the IMF. This is a positive development, but more will need to be done. The legitimacy of international organizations remains intrinsically westphalian. It is based on State democracy, and only provides for what I call "secondary legitimacy" - as opposed to the "primary legitimacy" conferred by the direct participation of citizens. The specific challenge of legitimacy in global governance is to deal with the perceived too-distant, non-accountable and non-directly challengeable decision-making at the international level.

So a global governance architecture is emerging little by little. True, this architecture remains incomplete in terms of its scope. Certain issues, such as taxation and migration, still remain largely outside the realm of global governance. But here again things are moving. The question of tax heavens, for example, is now being addressed within the OECD. This step may be small, but it is not insignificant. Global governance cannot be built in a day. It is built little by little.

What is the second lesson that the European experience teaches us? That three ingredients are needed for a successful integration process: shared values, a common objective, and an institutional machinery. Institutions alone cannot do the trick. Our experience with global governance to date shows it. Neither can a well-thought-through common project deliver results if there is no institutional machinery.

Experience has shown that when two of these ingredients are there, the third one follows. The success of the European economic integration process is the result of the coming together of shared values and a common goal. It is the combination of these two elements that led to the establishment of an institutional machinery. The creation of the Euro is a project that took 30 years to mature between the Werner report of 1969 and the report of Jacques Delors on the Economic and Monetary Union. A clear choice was then made according to which the prime purpose of monetary policy was to ensure price stability. The institutional structure then followed relatively quickly: the creation

of the European Central Bank, the most federal of the European institutions, was decided in three weeks only.

Likewise, the development of strong multilateral trade rules was made possible because of the existence of shared values - the belief that opening trade is good, a belief which is enshrined in Article 133 of the Treaty of Rome - and of an institutional machinery.

So what are we missing in the case of global governance? We already have a set of institutional machineries in some areas, but these are not underpinned by a sufficiently strong set of core principles and values. This is, in my view, one area where global governance falls short.

One may argue that the adoption of the United Nations Charter in 1945 marked the emergence of such a set of global values and principles. A set that has been strengthened over time through the adoption of various declarations and covenants, such as the Universal Declaration of Human Rights in 1948, and the International Covenants on Economic, Social and Cultural Rights and on Civil and Political Rights in 1966. However, this platform of values was developed at a time when globalization was not as tightly knit as it is today, and its implementation has remained patchy in many respects. It needs to be adjusted and strengthened.

This is precisely what German Chancellor Angela Merkel has proposed with the creation of a Charter for Sustainable Economic Activity. It is a commendable effort to provide a "new global economic contract", to anchor economic globalization on a bedrock of ethical principles and values which would renew the trust that citizens need to have that globalization can indeed work for them. It is a signal of our times that this initiative comes from Berlin, Germany, today a re-united country at the heart of Europe.

Finally, my third and last suggestion would be to further encourage and pay greater attention to regional integration processes, which permit a progressive familiarization with supra-nationality. Regional integration allows to address the questions of our time at a level where the affectio societatis is stronger. At a level where the feeling of belonging is more solid. For there is no governance without such feeling. Regional integration represents the essential intermediate step between the national and the global governance level.

Governance, be it at the national, regional or international level, presupposes a shared feeling of pursuing a common endeavour, of belonging to a community that needs governance. A feeling of "togetherness". Feeling that conditions the acceptance of constraints imposed in the name of such belonging. Feeling that finds its roots in shared values, a common history, and a collective cultural heritage. Feeling, however, that becomes more fluid and volatile as distance to power systems grows.

I had the chance, in my professional life, of working at three different levels of governance, which I often compare to the three states of mass: the national level, which in my view represents the solid state; the European level, which is liquid; and now the international level, which is more like the gaseous mass. The challenge with global governance today is to try to move from its current gaseous state to a more solid one.

In other words, and these will be my concluding thoughts, the solution is not to globalize local problems, as the theory suggests; it is to localize global problems; to make these more palatable to citizens in order to reinforce the sentiment of belonging I just referred to.

To go back to a point I previously made, "secondary legitimacy", which relies on assemblies of sovereign nation states, is too weak to cope with the necessities of global governance. What really matters is "primary legitimacy", the sovereignty of the people. How to increase this primary legitimacy of global governance remains, in my view, the main political challenge we are facing.

At this stage, the only avenue I can see is reaching out to civil society, unions, political parties, and parliamentarians to discuss and debate with them the global issues we are facing. We need global governance. But global governance necessitates global citizens. It necessitates citizens inhabited by a sense of "togetherness", by a feeling of belonging to a global community. How many people today, when asked which country they come from, would answer, like the ancient Greek philosopher Diogenes of Sinope, "I am a citizen of the world"? In the absence of global elections, the global governance debate needs to be brought closer to citizens to instil this feeling of togetherness that is now missing. Bringing the global governance debate closer to citizens could also contribute to greater coherence at a global level. This would render governments more accountable in terms of coherence.

Modern information technologies can help us achieve this ambitious transformation towards a sense of togetherness. These are powerful tools to help create a "polity" as we have just seen in Tunisia and Egypt. But we also need more input from social sciences. Not only economics or law, or political science. But also sociology, psychology, anthropology. And academies like the one that hosts us today can bring an invaluable contribution to build this new "polity". We want a world that is driven by ideas, not by instinct. So, ladies and gentlemen, please engage and help us all.

I thank you for your attention.

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