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The European Union and Global Governance

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List of Abbreviations

ASEAN	Association of Southeast Asian Nations
CFSP	Common Foreign and Security Policy
COMECE	Commission of the Bishops' Conferences of the European Community
ESDP	European Security and Defence Policy
EU	European Union
G8	Group of Eight Most Industrialised Countries
GATT	General Agreement on Tariffs and Trade
ICC	International Criminal Court
IFIs	International Financial Institutions
IGC	Intergovernmental Conference
ILO	International Labour Organization
IMF	International Monetary Fund
Mercosur	Mercado Común del Sur (Common Market of South America)
NAFTA	North American Free Trade Agreement
OAS	Organization of American States
SADC	Southern African Development Community
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNGA	United Nations General Assembly
UNSC	United Nations Security Council
WB	World Bank
WHO	World Health Organization
WMD	Weapons of Mass Destruction
WTO	World Trade Organization

Introduction

The European Union (EU) faces a new geopolitical situation. The Iraq war and its aftermath plus the failure of the Cancun WTO meeting have triggered a new debate on global governance and international law. Opening the 2003 UN General Assembly, Kofi Annan warned of the dangers of weakening the authority of the UN and other multilateral institutions. He openly questioned whether the multilateral system was up to the challenges facing the world and announced the creation of a high-level panel to review the challenges facing the UN. At the sane time, the George W Bush US administration has openly scorned the multilateral system in pursuit of its one-dimensional security policy – the war on terrorism – although there are some indications that this approach may be changing as a result of the problems it faces in Iraq. In contrast, the European Security Strategy (ESS) presented by Javier Solana and adopted by the European Council in December 2003 highlighted the importance of the EU working to strengthen the institutions of global governance. In highlighting the importance of "effective multilateralism" it implicitly called for a more active and effective EU role on the world stage.

The broad welcome given to the ESS demonstrated a growing consensus within the Union that the EU should move from being "a payer to a player" on the world stage. According to all polls, a vast majority of Europeans would support such a development. Most of Europe's partners would also welcome a more prominent EU voice in international affairs. But can the EU agree on a strategic vision and concept? What should be the priorities? What does "more effective multilateralism" mean? It is understandable that the EU should preach the importance of multilateralism because the EU itself is a unique example of multilateral governance and Member States have broadly similar views on the international system. The ESS, however, goes further in proposing a strengthening of the international order and an improvement of multilateral institutions. Two related documents published at the same time as the ESS drew attention to the necessity of developing new "tools" to deal with WMD and proliferation. These documents raised important issues concerning the application of conditionality in the face of non-compliance.

Another crucial issue for the EU is how to narrow and overcome the differences between the EU and American approaches to multilateralism? The EU and US have divergent views on arms control and disarmament (Ottawa Convention on Anti-Personnel Mines, Comprehensive Test Ban Treaty, Biological Weapons Convention protocol); the environment (Kyoto Protocol, Convention on Biological Diversity, etc.); and humanitarian law (International Criminal Court). The EU has stated that reinforcing international regimes is a priority and would improve both European and global security. However, it is very difficult to strengthen those regimes when the world's major power is opposed. How can US concerns on multilateral regimes be integrated? Are the negotiations on the US status vis-à-vis the ICC a precedent or an exception?

The ESS also refers to the necessity of improving good governance, development policies and dealing with 'outsiders' but little is said about using conditionality or how to develop the appropriate synergy between trade and development policies and security policies.

The EU's global role was also a main theme of the discussions on external policy at the Convention on the future of Europe. The debates, however, were marked by a lack of ambition and the outcome, measured against the desire of most citizens for the EU to play a stronger role on global affairs, was meagre. The establishment of a double-hatted EU Foreign Minister, supported by an EU diplomatic service, may promote more coherence and give EU foreign policy a face but the retention of the unanimity rule for an enlarged EU is likely to prove a serious handicap.

This paper, which is a contribution to the EPC's ongoing work programme on global governance, reviews the EU's presence in the major international institutions, considers what might be done to make this presence more effective against the background of the ESS, the constitutional treaty agreed by the intergovernmental conference (IGC), the debate about globalisation and the criticisms of multilateral institutions for being unaccountable, lacking transparency and legitimacy and incapable of responding to today's challenges. The continuing influence of the Porte Allegre coalition is evidence of this concern.

The paper proposes a number of reforms of the multilateral system and identifies other areas for further analysis. While recognising the importance of subsidiarity, it argues that there is a strong case for strengthening multilateral institutions in order that they can carry out their tasks more effectively. If the public were confronted with effective international institutions this would be a major help in increasing their legitimacy. It suggests that in light of the pressing global challenges the EU has to act quickly and be much bolder in pushing its agenda. The EU needs to find allies to help build a consensus in support of its aims.

I am grateful to EPC colleagues including John Palmer, Stanley Crossick, Guillaume Durand, Giovanni Grevi, Carlos Buhigas Schubert and Peter Sutherland for comments on the paper.

Recommendations

1. Good governance begins at home. The EU needs to develop an integrated and coherent approach to external relations and global governance issues. The provisions in the draft Constitutional Treaty should be fully exploited. The new EU Foreign Minister (Solana) must make this a priority.

2. The Union needs an open debate on the practicalities of transforming into practice its aim of strengthening the multilateral system. There should be no taboo areas. The ESS needs to be followed up by concrete action.

3. The Council urgently needs to agree measures to improve the EU's capacity to speak with a single voice in international fora. The key areas are the UN, the IFIs and the external representation of the eurozone. The logic of CFSP is an eventual single EU seat in the UNSC. In working towards this goal, however, there is much that can be done to strengthen the EU's voice at the UN.

4. The EU should actively seek allies to build support for strengthening multilateral institutions. The debate also needs to be carried to the US. The main themes should be the necessity of sharing sovereignty to tackle global problems, the importance of making the multilateral institutions more effective as the best way to increase their legitimacy and the revision of international law on intervention.

5. The EU should ensure that major issues on the agenda of the multilateral institutions are discussed in advance by the Council and a common position agreed whenever possible.

6. The EU should encourage and support reform of the multilateral institutions. The aims should be improving transparency, legitimacy and efficiency. The UN and WTO should be priorities. The EU should be ready to support the recommendations of the Kofi Annan high-level panel. The UN should have a coordinating role for the Bretton Woods institutions. WTO reform should not be used as an excuse to postpone the Doha development round. The G8 should be abolished or radically reformed. Consideration should be given to parliamentary oversight of the multilateral institutions and the establishment of a World Migration Agency.

7. The EU needs to examine the 'best practices' for dealing with international civil society, and to agree criteria for their structured involvement in governance.

8. The EU should assist and support regional cooperation and integration in other parts of the world. It should promote the expansion of global public policy networks and global public goods.

9. The present de facto EU/US duopoly in the IMF and World Bank should be ended.

10. The EU needs to pay more attention to the problems of involving low-income developing countries in global governance.

1. Globalisation and Global Governance

Globalisation has become a widely used term to describe the ongoing process of increasing global economic interaction. It is spurred by impressive technological progress especially in the fields of information, communications and transport, as well as international competition and deregulation of markets. Globalisation is of course not new. Environmental problems such as climate change have affected the ebb and flow of human populations for thousands of years. Migration is a long-standing global phenomenon. In the past, diseases such as smallpox inflicted more deaths worldwide than HIV/AIDS today. Military, colonial and religious globalisation have long histories. But what distinguishes today's globalisation from that of earlier periods is its sheer magnitude, complexity and speed. The impact of trade and financial liberalisation, the communications revolution and the spread of the Internet have given today's globalisation an entirely new dimension. Furthermore, global issues are increasingly inter-connected and have political implications; the mix of trade, environment, social and development issues is a good example. Globalisation is profoundly affecting global power structures, mainly to the disadvantage of poor countries. Although we live in an increasingly interdependent world, international institutions have struggled to cope with the demands and pressures arising from globalisation and vastly increased memberships.

Global governance is more than just the major international institutions. There are a growing number of regional organisations, such as the EU, ASEAN, NAFTA, OAS, Mercosur and sub-regional organisations such as the Council of Baltic Sea States that play important roles both in diluting nationalism and setting standards for good governance. In addition there is a vast, confused network of bodies involved in the international regulation of finance (Bank for International Settlements, fishing, satellites, aviation, marine transport and a host of other areas. There is much to be learned from these largely technical bodies and networks, most of which do valuable work far from the public eye. Multinational corporations and NGOs are also increasingly involved in global governance. The top 20 global firms are wealthier than the 100 poorest countries. The leading NGOs have public relations and research capacities greater than many national governments.

2. European Views

The Commission's White Paper on Governance in July 2001 drew attention to the links between European and global governance. It defined governance as "the establishment and operation of institutions, which define actors and their responsibilities, both in co-operation towards society's objectives and in the resolution of any conflicts that may arise." The White Paper deemed that good governance required institutions that were effective, coherent, accountable, open

and participative. In a damning indictment of the present order, it concluded that there was little evidence to believe "that the international institutions and networks currently in place will be able to deliver in the face of new challenges." It suggested that the international financial institutions (IFIs) were reluctant to change and poor at intra-institutional co-operation, multidisciplinary networking and crosscutting analysis of policy impacts. The consequences of these weaknesses had serious repercussions for achieving policy aims. It further criticised the general incoherence in policy-making reflecting in part the ad hoc way in which the institutions were created e.g. much stronger systems for economic (WTO, IMF) than for social (ILO) or environmental (UNEP) issues.

The Commission's Communication of February 2002 on *Responses to the Challenges of Globalisation* again posed the question "whether the current institutional setting is able to respond to these new challenges?" In the past two years, the Commission has also published a number of other communications covering the United Nations, preventing conflict and other issues related to global governance. The most recent was *The EU and the UN – the Choice of Multilateralism* in September 2003. But the EU has been slow to pick up on the proposals from the Commission. There has been no serious debate in the General Affairs Council on how best to strengthen the multilateral system.

The ESS, adopted by the European Council in December 2003, gave considerable prominence to the need for "effective multilateralism" Javier Solana has repeatedly spoken in favour of strengthening the UN and EU-UN ties. EU Commission President Romano Prodi and other Commissioners, notably Chris Patten and Pascal Lamy, have taken a keen interest in global governance as have individual politicians from Member States such as Guy Verhofstadt, the Belgian prime minister. At a press conference in February 2002, Mr Prodi said that "the world was becoming increasingly inter-dependent, its problems increasingly complex and the need for better global governance increasingly obvious." He also called for a review of the structure and methods of the G8 and other multilateral bodies. Commissioners Patten and Lamy, while consistently arguing the case for a more coherent and effective EU voice in global governance, have also drawn attention to the need to improve the democratic deficit in global governance. But as Mr Patten has noted, this will not be an easy task, given the absence of a European demos. The nation state may have ceded powers to international bodies but the demos remains essentially national. How to resolve this dilemma will be a central feature of 21st century politics.

The assertion that global security, both economic and physical, can best be ensured by reducing poverty and investing more in development has found an echo in the EU (but not to the same extent in the US). Britain's finance minister, Gordon Brown, reflected widespread European concern when he argued in November 2001 that "globalisation had to be better managed in order to reduce, not widen, inequalities.

This required stronger, not weaker, international institutions." There is, however, lack of consensus within the EU as to how this goal should be achieved.

While the Commission has been active in examining the problems of the EU and global governance there has been insufficient coordination within the Commission and within the EU to present a coherent view to the outside world. It is to be hoped that the next Commission, under Jose Barosso, will introduce some ideas for a more coherent EU approach. At the same time the Commission and Council are in a state of flux with regard to their internal structures and the external representation of the Union. The IGC agreed several proposals that could in due course lead to a stronger and more coherent external policy. For example, the establishment of a new double-hatted EU foreign minister, should greatly assist in achieving a more coherent approach. It remains to be seen, however, when the new constitution will enter into force.

3. Other Views

There is widespread consensus that globalisation both affects governance processes and is affected by them. The Commission on Global Governance, co-chaired by Ingvar Carlsson and Sonny Ramphal, put forward a number of proposals, largely concerning the need to strengthen UN and its agencies. Another Commission on Globalisation with Mary Robinson, George Soros and Michael Gorbachev as co-chairs also made recommendations on the implications of globalisation for governance. The role of the EU in global governance has also been addressed by the Bishop's Conference (COMECE) and by former Danish Prime Minister, Poul Rasmussen, in a report for the European Parliament socialist group. Reference has already been made to the high-level panel set up by Kofi Annan and which is due to report before the end of 2004.

The problems posed by globalisation, including governance and the increasing gap between rich and poor, were given further prominence in the aftermath of 11 September. The terrorist attacks may have dampened the enthusiasm of some protesters but encouraged others in the belief that their criticisms of the global economy are justified. The failure of the Cancun WTO Ministerial in September 2003 further fuelled the debate about the balance of power and lack of accountability in multilateral institutions. It also demonstrated the weakness rather than the strength of the current WTO structures.

This debate remains largely euro-centric. The US, under the current administration, has shown little interest, let alone enthusiasm in strengthening global institutions. Indeed, many senior figures in the Bush administration are openly sceptical of international law and international institutions. Both Russia and China pay lip

service to stronger global institutions but they have not produced any proposals to strengthen the multilateral system. Canada, Japan, India and Brazil have all made statements in favour of global governance but many other countries prefer to concentrate on changing the power balance within the present system. The question of global governance is thus high on the international agenda and has become more urgent as a result of increasing US unilateralism, the growing inadequacy of international institutions and the rising worldwide protests at their structures and policies. In part this reflects the huge impact that the communications revolution has had on politics. Years ago, only large organisations like the Catholic Church or transnational corporations could afford the costs of global organisation. Now any group with a few computers and modems can organise a campaign for a treaty banning landmines or against the WTO. In the 1990s alone, the number of international NGOs grew from 6,000 to more than 26,000. Claiming to represent international civil society, they have added a new dimension to world politics.

We are thus confronted with a new phenomenon, stemming from the increased pace of globalisation, the increased influence and, at the same time, inadequacy of many international institutions, the unwillingness of major powers to fully support the international institutions, a well organised network of protesters and a perceived democratic deficit. Although there is widespread agreement on the diagnosis, there is less of a consensus on how to improve matters. According to Harvard's Joseph Nye, "there is no single answer to the question of how to reconcile the necessary global multilateral institutions with democratic accountability."

4. The EU Model

The EU as a model of 'soft power' has a powerful attraction in the world. Indeed one of the characteristics of recent years has been the move to create regional bodies, some of which have attempted to copy parts of the EU model. ASEAN, Mercosur, SADC are just a few examples. The success of the EU model, however, rests on the shared commitment to democracy, the rule of law, human rights, tolerance and a willingness to share sovereignty in certain areas. It is noteworthy that no other regional body has been willing to accept any supranational authority. ASEAN has shown the most signs of moving towards its own version of the EU model. The EU has an interest in promoting its model as a contribution to good governance, an essential pre-requisite to effective regional cooperation and global governance. It also has a major interest in continuing to preach the merits of sharing sovereignty as a pre-requisite to tackling many of today's global problems such as sustainable development, poverty, protecting the environment, and tackling transnational crime and terrorism. The EU has already shown that it is capable of playing a leadership role with regard to the ICC and the Kyoto protocol. The EU need not be shy in defending its contribution to global governance, as a unique model of integration

and as a pole of attraction for nearly every country in its neighbourhood. For example, its move to create a charter of fundamental rights could well be extended to the global arena. Its 'soft power' methods of regime change are often much more effective than the swift use of military means. Admittedly the golden carrot of EU membership has been the key to promoting transformation in central and eastern Europe (and now Turkey). Now the EU recognises the importance of developing its own military capabilities to balance its acknowledged soft power capabilitites.

5. Rise of Global Institutions

If Churchill, Roosevelt or even Monnet were alive today they would easily recognise the major international institutions that were established more than half a century ago. The Second World War victors assured themselves of a permanent veto in the UN Security Council, a position they still enjoy today. The US, Britain and France obtained a leading role in the IMF, World Bank, the WTO (previously GATT) and other bodies. In the 1970s, the leaders of the major industrialised countries formed their own exclusive club – the G5, later G7/8. Although the development of these first institutions of global governance was stunted during the Cold War, since 1990, international politics and global governance have evolved considerably. Russia, the enemy for 40 years, joined the G7 turning it into the G8. China became an increasingly powerful economic actor thanks to a decade of high growth rates and joined the WTO in 2001 (but has not been invited to join the G8). International financial and economic institutions both expanded in membership (the main bodies have 140 plus members) and gained more influence prescribing policies for developing countries and countries in transition. Where no single country wished to lead, the IMF co-ordinated the responses to the succession of financial crises in the 1990s. The World Bank became the only lender to several of the poorest countries, helped promote the multilateral debt relief initiative (HIPC) and committed itself to the promotion of structural adjustment programmes and sustainable development. The WTO, despite the embarrassing failure of Seattle, launched a new trade round at Doha, and has adopted a dispute settlement mechanism which is its main distinction from its weaker predecessor, the GATT. The dispute settlement mechanism, however, suffers from an overload of cases that often take a long time to resolve e.g. bananas, steel, cotton, sugar. Furthermore, although the WTO can inform a state that it is non-compliant, it cannot insist that it becomes compliant. Despite its weaknesses, there remain many critics of this alleged loss of sovereignty to the WTO, especially in the US Congress.

In the meantime, the structures and working practices of these institutions have remained largely unchanged exposing them to increasingly frequent criticism. Critics claim structures are rigid, outdated and overly hierarchical and that working practices lack transparency and openness to input from non-governmental players. Pascal Lamy,

after Seattle, described the WTO as "medieval" while Franz Fischler, after Cancun, stated that there needed to be an overhaul of WTO structures. Such shortcomings have given rise to charges that these bodies lack legitimacy and sometimes work to agendas of their own choosing rather than in the broader public interest. Above all, the states-based system of governance has been challenged by the mushrooming of NGOs and their increased demands for participation. Nation states are no longer the only, or in some areas, even the most important actor on the international stage. Under so-called track-two initiatives, private firms, NGOs and international institutions themselves play increasingly important roles and efforts are being made to develop mechanisms to include these new actors in the system of global governance.

6. The United Nations

Following the collapse of the Soviet Union there were hopes that the UN would be a central feature of a 'new world order.' But the UN never succeeded in developing its full potential because its leading members on the UN Security Council (US, UK, France, China, Russia) refused to endow it with the necessary powers and resources. Many excuses were made including the perennial difficulty of changing the composition of the UNSC. Another serious problem in the 1990s was the growing estrangement between the US, especially the Congress, and the UN – an estrangement that had its roots in the 1993 Somalian debacle and which led to a lengthy and bitter campaign to reduce US dues to the UN.

Under Kofi Annan, the UN has shown that it is capable of giving a lead in a number of global issues, particularly relating to peacekeeping, human rights, drugs, trafficking in women, population control and sustainable development. It has reformed its regional offices and its agencies, notably UNDP. It has established links to the IFIs and building on the successful Millennium NGO forum, the UN is establishing a permanent assembly of civil society organisations to meet every two or three years. But despite these welcome changes, the UN's role is likely to remain limited as a result of disagreements between the permanent members of the UNSC and limited resources. (In terms of resources, the US military spends the annual budget of the UN in 36 hours!) Apart from the splits over Iraq, the five permanent members cannot agree on enlarging the UNSC nor on principles for military interventions for humanitarian purposes. Hitherto, the debate on intervention has largely focused on 'the responsibility to protect.' Should the UN be allowed to authorise a military intervention to prevent genocide or gross violation of human rights? Now, asked Mr Annan in September 2003, should the UN also be able to authorise military interventions to tackle 'rogue states' harbouring terrorists intent on acquiring WMD?

As regards the EU, it is not a member of the UN and has struggled to establish a clear profile in UN bodies partly because of its own institutional shortcomings and internal disputes over issues of competence. Although the Member States increasingly vote together at the UN (over 95% of UNGA resolutions in past two years), this remarkable unity was overshadowed by the spectacular open rift over Iraq in the spring of 2003. The UK and Spain sided with the US while France and Germany pursued a different track. This split seemed to kill the oft-mooted proposal for a single EU seat at the UN. Certainly the UK and France have shown little inclination to move in this direction while Germany seems more interested in securing its own seat on the UNSC rather than sharing an EU seat. Under the new treaty proposals the new EU Foreign Minister may be allowed to speak on the EU's behalf at the UN and in other international fora. This presupposes that he has a common policy to advocate.

Two Commission communications *The EU and UN–Working Together To Strengthen Global Governance* and *The EU and the UN-the Choice of Multilateralism* make a number of sensible practical recommendations to improve both the EU's role in the UN and EU-UN cooperation. The latter paper points out that while the EU has made some progress towards speaking with a common voice, it fails to punch its true weight in the world. Too often the EU plays a reactive role. Yet when it plays an active role (Kyoto, ICC, 'everything but arms,' pricing of medicines, the Johannesburg and Monterrey summits), it can have considerable influence. There is certainly a strong case that the EU should play more of a 'front-runner' role, not least as a result of enlargement which means that the EU Member States will comprise about 15% of UN members. The EU will be faced with new challenges of coordination and the sensitive issue of the composition of regional groupings. The development of the Rapid Reaction Force under ESDP will also provide the Union with an important facility to support the UN in peacekeeping operations. Other areas where the EU could play a more proactive role are conflict prevention, sanctions, human rights, transnational crime, refugee and asylum policy, proliferation and promoting a dialogue between cultures and civilisations. There should be more upstream consultation to prepare EU common positions across the board in UN affairs. The Commission avoids calling for a single EU seat on the UNSC. While this is clearly not politically feasible in the short-term, the logic of CFSP should lead to such a development in the medium to long-term, most likely as a result of a re-shaping of the UNSC to allow for greater regional representation. In the meantime there is much the EU can do to improve its position at the UN and to support Kofi Annan's proposals for a reform of UN structures and working methods. The new EU Foreign Minister should also make it a priority to appear regularly at the UN.

7. The G8

The G8 is the supreme insiders' club, a self-appointed grouping of the richest industrialised countries (plus Russia). In the eyes of many, the G8 has become the effective centre of global governance, from finance, investment and trade, through transnational threats to human security, to traditional political and security challenges. Originally established to promote informal meetings of leaders to discuss economic issues, many critics allege that the body has few successes to its name and has become little more than a media circus with little real added value. Indeed some critics go further and argue that its exclusionary membership (Russia but not China, Canada but not Brazil, Italy but not India) is a handicap in its efforts to secure broader support for any policies it wishes to promote. At the very least, there is a strong case for including the BRICs (Brazil, Russia, India China) fully in future deliberations.

Protesters have made G8 meetings one of their main targets with positive and negative results. On the positive side, in Birmingham, in 1998, a largely church-based coalition (Jubilee 2000) succeeded in ensuring that debt relief was on the agenda. In 2002, a substantial part of the summit was devoted to the G8 Africa Action Plan with African leaders present. On the negative side, in Genoa, in 2001, violent protests, including one fatality, overshadowed the actual G8 meeting. As a result, Canada opted to hold the annual leaders' meeting in Kananaskis, a mountain resort, virtually inaccessible to protesters, which inevitably reinforced the feeling that the forum lacks accountability. In 2003, France chose Evian on Lake Geneva for similar reasons as did the US which hosted the 2004 summit on Sea Island, Georgia.

In the EU context, the G8 is also divisive, highlighting the division between large and small Member States and with the EU institutions not involved in all meetings. Both Romano Prodi and Belgian Prime Minister Guy Verhofstadt have called for a reform of G8 structures, the latter arguing for greater regional representation. The challenge to the G8 comes from two sources; a broad protest movement arguing that untamed globalisation undermines democracy; and the major developing countries that are excluded.

The time may be past for simple reform. There is a strong case for abolishing the G8 but this is unlikely to happen in the near future. It may be possible, however, to win support to transform the G8 into the G20 or, preferably, to create an Economic Security Council, an idea first proposed by Jacques Delors and supported by the Commission on Global Governance. This would be a UN body able to play a coordinating role between the major international institutions. Other reform proposals include one for a revised G8 that would comprise the US, the EU (one seat), Japan, Russia, India, Brazil, South Africa and Turkey (as the world's premier Islamic democracy) and which might increase its legitimacy. A variation on these proposals would be the idea put forward by the Bishop's Conference (COMECE) in

September 2001 calling for a Global Governance Group comprising the 24 heads of government which have executive directors on the IMF/WB boards, plus the secretary general of the UN and the directors general of the IMF, WB, WTO and ILO.

Although proposals for change are likely to be met less than enthusiastically by current members of the club almost any changes would increase the legitimacy of the institution and thus improve the prospect of gaining broader support for its policy recommendations. But some argue that increased legitimacy would come at a price - reduced efficiency. Some Commission officials are also concerned about the possible implications for the Commission's position if there were any changes to the G8. The structure of the G8 itself is not as important as the substance of the policies it avows. But policy advocacy without legitimacy is unlikely to produce effective results.

8. IMF and World Bank (the IFIs)

For many years the IMF and World Bank operated with little outside attention. When a country experienced balance of payments problems, the 'IMF doctors' rushed to administer the appropriate, sour-tasting, medicine (often welcomed, secretly, by the patient as it provided political cover for unpopular decisions). The World Bank, like many other donors, often concentrated on large infrastructure projects and mining and forestry rather than sustainable development. As globalisation accelerated in the 1990s protesters targeted the IFIs which were blamed for being instruments of the US government, beholden to neo-liberal economic theory and corporate interests (the Washington consensus) and failing to prevent or mitigate the consequences of the financial crises in Russia, Mexico, Argentina and Asia. Other criticisms centred on the IMF's lack of transparency, and one-size-fits-all policy. These criticisms led to massive demonstrations against the IFIs in Washington, Prague and elsewhere. The IFIs have made some changes in response to these protests but a number of important changes pre-date the protest movement. For example, the World Bank now pays more attention to good governance and conditionality, works closely with many NGOs, and IMF and World Bank web sites have become more informative and user-friendly. Conditionality for the IFIs, as for the EU, has become a key issue. How to strike the right balance between economic reform, financial stability and good governance?

The EU is not a member of these institutions as they are only open to states under the current statutes. As a consequence, the EU has struggled to profile itself in the IFIs where the Member States hold sway and rarely act in a unified manner, partly due to the system of mixed constituencies, a situation that can only worsen as a

result of enlargement. The arrival of the euro has not yet led to greater EU coherence or to a single European voice in the IFIs. Although many consider that the ultimate goal should be a single EU seat in the IMF/WB, the difficulty is how to get there. Should the EU be content with increased co-ordination within the present system or should it push for radical reform? The absence of a major Member State (UK) from the eurozone makes reform plans highly complicated. The draft treaty proposals drawn up by the Convention left the issue open. It stated that eurozone countries could, if the wished, move to a single external representation of the euro. Meanwhile other countries, particularly the US, have been proposing a reduction in the European representation in the IFIs.

9. The WTO

The establishment of the WTO in 1995 put an institutional 'face' on what had previously been an amorphous process. The protest movement sought, quite successfully at Seattle and beyond, to portray the WTO as a secret cabal taking decisions behind closed doors in the interests of the corporate world. Contrary to the beliefs of most protesters, the WTO is not an all-powerful machine. Indeed, according to Pascal Lamy, "it is too weak all round." Although it has had some successes, notably the operation of the binding dispute settlement procedures, it is handicapped by lack of resources and a strictly maintained consensus system. Its Director General has no power of initiative. Many developing countries do not have the staff to fulfil their WTO commitments or even to maintain a representation in Geneva. The WTO has also struggled on the public relations front and been slow to involve NGOs in discussion of its aims and goals.

Given the community competence for trade matters, the EU has been able to adopt a higher profile and a more united position in the WTO than in the UN or the IFIs. The Commission enjoys the role of exclusive negotiator on behalf of the EU, on the basis of extensive and detailed co-ordination procedures at every stage. This experience has prompted Pascal Lamy to suggest that the Commission should be given exclusive competence to negotiate in all areas of international economic governance. Lamy has also suggested strengthening the UNEP and other bodies dealing with social and development issues; and increased co-operation between all multilateral institutions. Both these proposals were greeted in a lukewarm manner by the Member States. The lack of trust and jealousies of national bureaucrats should not be underestimated.

Reform of the WTO decision-making procedures is likely to be even more problematic because of the strict consensus procedure allied to the refusal to allow any weighted voting. But if nothing is done to reform WTO procedures there is a danger of the US going its own way. Robert Zoellick, the US trade representative,

hinted at such, after the failure at Cancun and since then the US has agreed free trade agreements with Singapore, Jordan and Morocco. The EU, therefore, should take the lead in presenting to its partners a set of reform proposals for the WTO. These might include an end to the consensus principle and more resources for the WTO as well as a right of initiative for the director general. This should not, however, detract from the aim of bringing the Doha development agenda to a successful conclusion.

10. The Issue of Leadership Selection

Persistent and damaging conflict over the selection of leaders for the IFIs and WTO has fuelled concerns about the lack of transparency, merit and privileged deals between the major players. To most observers, the process used to select and appoint leaders is in urgent need of reform. As regards the IFIs, the US and Europe have laid exclusive claims to leadership positions since the formation of the institutions. Mr Rato's appointment as successor to Mr Kohler in May 2004 was further proof of this continuing duopoly. That duopoly now undermines the legitimacy of the selection process in the eyes of other members, especially Japan, and, paradoxically, creates conflict between the US and EU themselves. The WTO has not suffered from any lack of transparency or competition. Instead it has often found it impossible to reach consensus e.g. the Moore/Supachai dispute.

These leadership disputes and their damaging effects are symptomatic of deeper fault lines in the world economy. the problems of leadership selection have also highlighted growing differences between the developing countries, especially the large emerging market economies, and the industrialised countries. This divide emerged in the selection process for the current IMF director when a group of developing countries for the first time proposed their own candidate. These countries are often ambivalent about the current international regimes, suspicious of rich country leadership and resentful of rules made by the rich that they did not help to establish. They are unlikely to be content forever with a say only in the leadership of the regional development banks.

As regards the IFIs, it is surely time to end the European-US duopoly in leadership selection. Such a move could be announced at the next G8 summit. If this were considered too radical a move an interim step might be considered involving a more transparent and merit-based approach, i.e. term limits, search committees, performance reviews, veto proof shortlists of rival candidates.

11. Civil Society and Global Governance

Business and NGOs play an increasingly important role in framing the debate on global governance. The term anti-globalisation movement is a misnomer as it is neither solidly anti-globalisation nor a single movement. There are some overlapping aims but also several significant cleavages - between reformists and rejectionists and between parts of the labour, environmental and Southern movements. In recent years, the popularity and credibility of the main NGOs supporting the protest movement has been increasing steadily. A January 2004 poll found that in Europe NGOs inspired confidence levels well above those of government, companies and media. Amnesty International, the World Wildlife Fund and Greenpeace topped the public trust ratings, well ahead of General Electric, Microsoft and Ford, the three most trusted corporate brands. Many NGOs have developed their research and policy capacity and in so doing have earned a great deal of respect. NGOs already have consultative status in a number of international organisations such as the OECD and World Bank. In some instances, such as human rights and refugees, they provide crucial information to governments as well as help to provide services.

Among the NGO successes one can list the landmines treaty, pressure for human rights and the environment, putting the debt issue to the fore of the international agenda (Jubilee 2000), cutting the cost of drugs for poor countries, securing government interest in studying the 'Tobin tax' on currency transactions and forcing a wide range of companies, including Nike, Starbucks and McDonald's, to respond to public campaigns against corporate misconduct whether over pollution or abusive labour practices. As a result 'corporate social responsibility' has rapidly moved to the top of the business agenda.

As a result of NGO and consumer pressure we are seeing a proliferation of various regional, national and international instruments aimed at establishing norms for corporate social responsibility. Recent initiatives include the revised OECD guidelines for multinational companies, the EU initiative on CSR and the UN Global Compact.

Although some NGOs would like to abolish the WTO and the IFIs, the mainstream protesters concentrate on a reform menu that includes more transparency in international institutions, more debt relief, greater access to rich markets by developing countries and more attention to sustainable development. The Doha development agenda will be the real acid test for many NGOs over whether the WTO can become a genuinely pro-development multilateral institution, or whether it is locked into the protectionist grip of the major powers. The emergence of an international civil society has had a significant impact on national and international politics. The most influential NGOs are largely those from the rich, media-driven countries. They are the ones with the means to communicate — and thus the power to impose their views. Although NGOs are not entitled to any formal role as

representatives of global citizenry, in general the stance NGOs have adopted and the issues they have embraced are giving voice to groups of people who in a perfect democracy would represent themselves but, at present, are unable to do so. It is not that easy for an Indian farmer existing on two dollars a day to fly to Seattle or Cancun to make his views known on market access.

At the same time, many worthy causes pass unnoticed if they lack a charismatic leader and/or support of a major Western NGO. Furthermore, the perpetuation of the myth of an equitable and beneficial global civil society may breed apathy and self-satisfaction among the industrialised nations, resulting in the neglect of worthy causes around the globe.

Commissioner Chris Patten, referring to the democratic deficit in the EU, has frequently asked how do you inject greater democracy and legitimacy into an organisation that has no natural demos? The same question could be applied to the institutions of global governance. Who are 'we the people' in a world where political identity at the global level is so weak? Although NGOs have opened the door to the emergence of global communities based on values, beliefs and interests that rival their national identities they still have limited influence on the world stage. George W. Bush made the point bluntly when he stated that he had been elected to protect and promote the interests of the American people, not to save the planet. (Few pointed out that in the end the two are congruent - if the planet is lost, so too are the American people). After the collapse of communism it has become particularly evident that it is easier to mobilise support and create identity against something rather than for something. One cannot ignore either that the political class is interested mostly in domestic election results and not in the international community. With few exceptions the media also tend to ignore global problems, preferring to focus on local and national issues. This discontinuity between local, national and international democracy is something the political class has been slow to address. Yet it is of fundamental importance if the rising disenchantment with democratic structures is to be halted and reversed.

12. A Reform Agenda

Protest organisers such as Lori Wallach attributed half the success of the Seattle coalition to the notion "that the democracy deficit in the global economy is neither necessary nor acceptable." Clearly it is easy, at one level, to rebut charges that the IFIs are not democratic or accountable. The Bretton Woods organisations are based on international treaties, ratified by national parliaments and with the active involvement of representatives of mainly democratic national governments. But

there is a broad consensus that the accountability mechanisms for the IFIs are flawed and lack credibility. There are two main reasons. First, it is comfortable politically for governments to remain passive in the face of broad-based protests against international organisations. Since no one government is in charge, no one government feels it politically attractive to vigorously defend the institutions. Second, the IFIs are only intermittently dependent on legislative actions as they have regular funding. With neither executive branch encouragement, nor legislative branch involvement, the result is apathy leading to a public relations disaster area.

Global Government

There is no magic solution to the problems listed above. But action taken by the actors involved at different levels could lead to significant improvements in the structures of global governance. Some analysts suggest that the only solution to global issues is *global government*. Their proposals, however, have tended to fall on deaf ears as most observers see little likelihood of establishing a world government in the absence of a global threat that could only be dealt with in a unified way. Few can argue that 'one state, one vote' is democratic given the huge population imbalances between states. The concept of a world society is also not one towards which people are naturally attracted by sentiment or tradition. Furthermore, many so-called 'democratic' governments are corrupt, inefficient and pay lip service to good governance. Nations retain their own histories, traditions, flags, anthems and myths. At the international level it is much harder to build loyalty and legitimacy, and more tempting to throw brickbats. Over time, if the 'EU model' spreads, there may be a more solid prospect of some form of world government.

Building Support

The EU has natural allies in seeking to strengthen the multilateral institutions. These include Canada, Japan, Norway, Switzerland, South Africa, New Zealand and some developing countries. China and Russia are also potential allies. Post Iraq, it may also be able to influence the argument in the US. At present the debate in Washington is centred on how best to exploit America's overwhelming military power. The neo-conservative view is that the U.S. should dominate the world as a benign hegemon, eliminating 'rogue states' through pre-emptive strikes if necessary and protecting American interests. The conservative view is that the U.S. should seek to maintain its dominant position by playing the role of reluctant sheriff, heading coalitions of the willing and able, to defeat any challenges to American interests. Both camps pay little attention to multilateral institutions. The liberal wing that supports U.S. engagement with the world through multilateral institutions has scarcely been heard since 11 September and EU attempts to argue the merits of the multilateral approach have had little impact on the administration. But post Iraq, the liberal voices have become more vocal and there are signs of a modest movement by the administration towards a greater role for international institutions.

Reforming the Institutions

The EU also needs to push for reforms within the global institutions. As a first step, the EU should support Kofi Annan's proposals for reform of the UN. The UN should be given a coordinating role over other international institutions. Bodies such as the G8 (not technically an institution) should not undermine the authority of the UN. Although there is no reason in principle that indirect accountability should be inconsistent with democracy, there are a series of steps that the IFIs should be encouraged to take that might improve transparency, accountability and legitimacy. They might define their objectives, functions and procedures more clearly. The WHO might be a role model here. They might publicise in a timely fashion the agenda of major decisions to be taken, thus facilitating outside input. They might release records and minutes of meetings, as many other public institutions (including the Commission) do, thus allowing outsiders to understand the rationale for decisions. Much of this could be done via the Internet. They might encourage the filing of *amicus curiae* briefs, thus discouraging outside protests. The EU should also continue to champion greater coherence between and greater transparency in international organisations. The aim should be that all members can play a full role, institutions are open to contributions from outside players, and institutions have greater legitimacy in the eyes of those affected. The EU should also consider the arguments for creating and/or strengthening the institutions dealing with social issues e.g. the ILO, UNEP and WHO. There would seem to be a strong case for establishing a world migration agency given the rapidly expanding numbers of those seeking to find work in third countries.

Parliamentary Oversight

Another track worth considering is parliamentary oversight. The European Parliament is unique in that it is the only multi-national, directly elected parliament in the world. But the EP has its own legitimacy problems, stemming primarily from the absence of a genuine European demos. The low turnout in the 2004 elections was again cause for concern. There are a number of indirectly elected or appointed parliamentary bodies such as the broad IPU or the narrow Nato Assembly. There are now demands for the creation of both UN and WTO parliamentary bodies, a proposal which Pascal Lamy has suggested merits study. The idea of IMF/WB parliamentary assemblies and committees of national legislators attending parts of meetings of the global institutions is worth considering although there would be formidable logistical problems. It is illusory, however, to imagine that the democratic deficit could be resolved simply by establishing new parliamentary bodies, inevitably involving hundreds of participants. What might be encouraged as an interim step, however, is national ministers explaining and defending the IFIs/WTO before their national parliaments. This is an area for further reflection with national and European parliamentarians.

Harnessing Technology

Another fruitful avenue worth exploring would be utilising modern technology to help establish a global demos. There are already interesting proposals on the table for a global 'e-parliament.' The use of the Internet could also greatly reduce the costs of developing countries participation in international meetings; and facilitate a wider NGO participation in global frameworks.

Global Public Policy Networks/Global Public Goods

According to the rational/functional theory of international relations, states devise international institutions to facilitate co-operation and thus to further their own interests. This functional explanation accounts for the existence of hundreds of international organisations and regimes that govern issues ranging from fur seals to world trade, from civil aviation to world health and many other policy areas. New issues, such as the ICC and human rights, are constantly being added to the agenda. Regulatory instruments and peer review can thus enhance good governance. But these bodies also need real teeth so that the public can see how they work and that they form part of an emerging collective action. The EU should encourage the formation of global public policy networks to research best practice and set standards on specific issues. Recent productive examples include the International Competition Network (ICN), the World Commission on Dams and the Roll Back Malaria Initiative.

The EU also needs to promote more the concept of global public goods. This includes the fight to combat infectious diseases such as HIV/AIDS, the protection of the environment, a fair trading system, financial stability – all of which might be embraced within the concept of conflict prevention.

Business and NGOs are also involved in regime building and networking. The World Business Council has played an important role in the debate on sustainable development in the run up to Johannesburg. Trans-national corporations often provide their own regulatory regimes. In the chemical industry, for example, 'responsible care' standards are designed to head off national or international level governance.

Conclusion

Having nailed its colours to the masthead of "effective multilateralism" the EU has a major stake in the development of a new global order. A globalised world requires some degree of global governance but paradoxically, the structures of democracy obstruct effective governance in a world dominated by individual states and the values of market individualism. To make democracy work, some sense of discernible community is required, a major difficulty given the huge problems arising from very different cultures, religions and languages. In domestic politics, sovereignty rests with the people; internationally it belongs to the state. The primary concern of governments is to satisfy electorates, not to reach compromises in international institutions. Thus, we live in a world in which co-operation is increasingly necessary but is made extremely difficult. Everything else - markets, currencies, corporations - may become global but the state remains stubbornly territorial even though, as a result of Kosovo and East Timor, there is a new readiness to reconsider traditional concepts of sovereignty when flagrant violations of human rights are at stake. The principle and criteria for intervention by the international community in such cases, and extending to WMD, will dominate the global agenda for the years to come.

Another difficult balancing act is the relationship between two crucial factors in international relations – power and institutions. Clearly, institutions alone cannot provide stability. The IFIs and WTO would be inconsequential without the active support of the most powerful countries. After all, even the IFIs create smaller steering groups to provide some leadership (the International Monetary and Financial Committee for the IMF and the Development Committee for the IMF/World Bank). The G8 process thus provides for an institutionalised hegemony which is perhaps better than relying on a laissez-faire approach or US unilateralism to provide stability. Yet, as noted above, exclusivity also has its limitations. The 'club model' may have worked reasonably well in the past when issues were less linked and accountability of finance and trade ministers to parliaments was sufficient to provide legitimacy. But with the linkage of issues there is a need for a forum that can link specific organisations and policies with a broader range of public issues.

Clearly a fundamental problem of multilateral co-operation is how to increase transparency and accountability without subjecting all deals to deconstruction and unwinding. If diffusing power increases legitimacy, it also makes it harder to take decisions. How do you get everyone into the act and still get action? This is a problem facing the EU as a result of enlargement. There are serious doubts as to whether 25 or 30 Member States will be able to act on the international stage in a cohesive, timely and effective manner.

It is not easy to fix this type of democratic deficit because it is difficult to identify the political community that is relevant for direct participation. In the international

system, there are more states involved (sevenfold increase since 1945 with hugely different weights); new entities have become more active; democratic societies demand accountability and transparency; but most important, increasingly close linkages among issue-areas pose problems for international regimes organised along single issue lines.

As globalisation continues to accelerate and international institutions become more powerful, it will be increasingly difficult to resolve the problem of international legitimacy. Publics will demand greater international co-operation to tackle issues such as cross-border crime and the environment yet there is a very real risk that as transnational action becomes more important, people may resent decisions on which they have only a very indirect influence, or lose interest in national democracies since the really important decisions seem to be taken elsewhere.

The analysis in this paper suggests that there are no easy solutions to these dilemmas but there are a number of steps that could be taken that would improve the functioning and effectiveness of global governance. The EU is well placed to take a lead in proposing such changes, including emphasising the importance of pooling sovereignty to deal with the multitude of problems that no state along can tackle successfully. As the most advanced experiment in sharing sovereignty so far, the EU's own system of governance is relevant to the wider world. The EU is also the best placed body to drive forward the Millennium Development Goals of the UN and the recommendations of the Human Security (Ogata) Report. This would certainly meet the wishes of the EU's citizens and the wider global community. Yet, to achieve these goals the EU must sort out its internal structures and develop the capability and habit of speaking with one voice.

References and Further Reading

The various Commission communications eg White Paper on Governance COM (2001) 428 final 25.7.01, Commission Communication on Responses to the Challenges of Globalisation COM (2002) 81 final 13.2.02 are available on the europa website. The Solana security strategy report is also available on the Council website. Some interesting material can be found in the Rasmussen report at www.pes.org; in the Brundtland Report www.rri.org/envatlas/supdocs/brundt.html and the Commission on Global Governance – www.cgg.ch. Peter Sutherland is due to produce a report on WTO reform before the end of 2004. The Human Security report is available at www.humansecurity.org For a French socialist intellectual view see Pascal Lamy and Jean Pisani-Ferry, L'Europe de nos volontés, La Fondation Jean Jaures, Note 27, January 2002

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Some useful web sites include:

www.un.org (official website)

www.wto.org

www.imf.org

www.worldbank.org

www.globalization.gov.uk (contains many NGO submissions)

www.cgg.ch (Commission on Global Governance)

www.forumsocialmundial.org.be/eng/index.asp (French and Brazilian inspired anti-Davos network)

www.globalissues.org (web exchange site with links to 4,000 other sites, sources, articles)

www.50years.org (US network for global economic justice)

www.ethicaltrade.org (an alliance of companies, NGOs, and trade union organisations committed to working together to identify and promote ethical trade)

www.globalisationguide.org (contains many articles and links on globalisation)

www.attac.org (French-based association for the taxation of financial transactions)

www.twnside.org.sg (Third World network of intellectuals, based in Malaysia)

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