

Towards a New System of Global Governance: Getting from Here to There

By Inge Kaul^{*/}**

Introduction

Growing recognition exists that many policy issues today are of a border-transgressing, regional and global nature. This realization is often followed by recommendations to launch new international-level institutional reforms—to assign new functions to existing multilateral organizations, modify a bit current decision-making patterns, or upgrade existing intergovernmental bodies like the United Nations (UN) Economic and Social Council (ECOSOC). Debates on possible elements of a new global governance system (GGS) abound.

At the same time, the ill-effects of inadequate policy responses to today's global challenges continue multiplying.

This note's main point is that the time is ripe for getting serious about the actual creation of a new global governance system (GGS)—to finalize its architectural design and begin to construct its building blocks.

Accordingly, the note pursues two objectives. First, it explores some of the basic lessons we have learned about the governance requirements of today's global challenges. Second, bearing these lessons in mind, it outlines a process for the design and development of a new GGS.

The note concludes with a recommendation to the Shadow G8. It suggests that the Shadow G8 request the forthcoming G-8 Summit meeting in Rome to launch a GGS consultation and design process along the lines suggested in this paper and to pledge its support for such a process.

Globalization has outpaced our institutions of governance. Meeting today's global challenges in effective, efficient and equitable ways so as to foster more sustainable growth and development calls for urgent and decisive action on promoting global consensus on the core principles and building blocks of a new GGS.

I Governance requirements of today's global challenges: lessons learned

A striking feature of today's global governance system is that we often agree that a problem needs urgent attention but stop short at such declarations of intent, delaying corrective action, and often, paying more for the ill-effects of inaction than corrective action would have cost.

Such inaction has many roots, including many that are related to the structure and functioning of the present system of global governance. To highlight a few:

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** The present note has been prepared for the Shadow G8 2009 meeting in Rome, Italy, 6 and 7 May 2009.

1 The present system of global governance has been created primarily to support a world based on the Westphalian state model.—The main purpose of the present system of global governance as, for example, reflected in the UN Charter has been the creation of a global system of independent states, granting political entities their recognition as sovereign states and offering them collective support in safeguarding the inviolability of their territorial borders.

Although the actual functioning of the UN as well as that of the UN system agencies and other multilateral organizations such as the Bretton Woods institutions (BWIs) has often deviated from this ideal, many of the basic features of the Westphalian state system and its underlying principles linger on. This can be seen from such facts as: the dominant role foreign-affairs thinking still plays in international negotiations; the non-binding nature of most intergovernmental decisions; the pervasive free-riding when it comes to meeting financial and other costs of international cooperation, including even those of the MDGs; and the wide-spread lack of national-level follow-up to internationally agreed-upon commitments.

A key challenge, if not *the* key challenge for a new GGS thus is to agree on better ways of combining sovereignty with the demands of a globalizing world, balancing centralization and harmonization with decentralization and context-specificity. A better balance along these lines would reveal that under conditions of openness effective international cooperation—rather than “going it alone” or “free riding”—is often the better strategy for meeting national interests.

2—Global issues suffer from two types of failure: market failure and (inter)governmental failure.—Closely linked to the foregoing point is that governments, when appearing at the international level, often behave like private, particular actors: They pursue special, national interests.

Effective and efficient GPG and RPG provision thus calls for a new, combined theory of market and state failure, which views states as individual, particularistic actors at the international level and explains the differences between the roles of states nationally and internationally.¹

Such an expanded theory of actor failure in the face of GPGs, RPGs and cross-border spillovers would guide the new GGS design toward recognizing the importance of multi-actor approaches.

3—Many global policy goals being negotiated today are too lumpy and complex to allow a swift formulation of clear bargains, and therefore, often remain unresolved.—The main stakeholders and decision-makers tend to vary from issue to issue area, and often even from sub-component to sub-component of one and the same issue. Within global finance, for example, those concerned with international financial market regulation are different from those dealing with foreign aid or health and environmental financing.

¹ The type of state failure referred to here is not the type of government failure to which, for example, public choice theorists tend to refer. Rather, the state failure indicated here results from the compartmentalization of the world into *individual* nation states. It is rooted in the present Westphalian state-based world order.

This implies that governance arrangements for global challenges have to be organized on an issue-by-issue basis, and as and if desirable, even on a sub-component by sub-component basis. G-20-type arrangements—accompanied as appropriate, by operational leadership groups for various sub-aspects—may thus be required in all main issue areas. These groups should take the form of global policy networks, bringing together representatives of all concerned private and public parties, national and international-level actors.²

Such a disaggregated, multi-actor approach would facilitate the recognition of the incentive structures that are underpinning different concerns and what it would require to tip those towards a durable consensus and willingness to act.³ It would lead to speedier, result-oriented and more durable policy responses to global challenges.⁴

4—Past decades witnessed wide policy and governance swings or fashions that required correction after some time and proved to be costly in terms of lost growth and increased poverty.—Among many other shifts, the world has moved from “financial repression” to “financial liberalization”. This shift has not only entailed de-regulation and re-regulation but regulation that we now recognize as having often been over-standardized and over-harmonized. Similar shifts towards privatization and liberalization have occurred in other issue areas, including medical and pharmaceutical research.

A limited “club” of governments and intergovernmental organizations (IGOs) have been among the main promoters of this type of regulation—and therefore, the present financial crisis reflects market and state failure.

Yet many developing countries, civil society organizations, academics, and others, who often from the very beginning expressed concern about these developments, were often not heard by those with the power to formulate and promulgate policies, norms and standards for all—until it was too late and emergencies erupted.

The lesson to draw is that a key feature of a new GGS has to be participatory, competitive decision-making. This could facilitate the formulation of global regimes that as Rodrik (2009) proposes, provide a common policy orientation but allow space for country-specific and context-adjusted policy paths.⁵

5—The world lacks an effective, legitimate body that reviews and fosters the maintenance of global balances and overall growth, sustainability and equity.

Effective global governance calls for a more disaggregated, issue-specific approach. But, at the same time, we should not continue the current practice of allowing one global challenge to steal the political limelight from the foregoing one—finance to push aside climate change, both to be overtaken by a new health pandemic, with another global

² For a more detailed discussion on networked governance in various global issue areas, see, among others, Slaughter, Anne-Marie (2004). *A New World Order*. Princeton: Princeton University Press.

³ On the advantages of a disaggregated approach to complex issues like climate change or financial stability, see Barrett, Scott (2008). “Climate treaties and the imperative of enforcement.” In *Oxford Review of Economic Policy*, 2008, pp. 1-20. See also, Kaul, Inge et al. 2006. *The New Public Finance; Responding to Global Challenges*. New York: Oxford University Press.

⁴ The reality of international cooperation is already moving in this direction as is evident from the large and growing number of special global program and partnership initiatives.

⁵ Rodrik, Dani. 2009. “A Plan B for global finance.” In: *The Economist*, 14 March 2009, p. 72.

challenge no doubt lurking in the background ready to (re-)claim the political center stage next.

Not only is one issue stealing the political attention from the other. The same money appears to be promised to each newly emerging issue—never being actually delivered in full. And many promises of cross-border cooperation and coordination remain unfulfilled, as the current financial crisis again demonstrates.

Thus, it would be desirable to complement the issue-specific Gs mentioned in point 4, with a global-macro G, a G that would be of limited size but representative and meet once a year at the level of heads of state or government. Its main role would be to press for results—to ensure that international commitments translate into action, in all critical areas.

II Designing the architecture and constructing the building blocks of a new global governance system

Some new global governance arrangements have already been put in place during recent years, often in an ad hoc fashion, under pressure from reality. Many more governance reform proposals have been tabled, suggesting new principles, policy approaches, instruments, and organizational arrangements. The time appears to be ripe for a synthesis of the available experience, a study of the proposals on the table, and a global, multi-actor consultation process to identify and build consensus around desirable reform measures.

Bearing in mind the lessons about governing global challenges discussed in section I of this paper and applying them to the process of designing and constructing a new GGS itself, one could envision the following:

1—Establishing issue-specific independent commissions

Such commissions could be set up in select key areas, including international finance, global health, climate change and energy, and control of WMDs. While the work of these commissions would perhaps start from taking stock of and assessing recent institutional innovations and reviewing relevant new proposals, they would mainly need to rely on broad-based consultation with relevant issue networks, or where those do not exist, even try to form such networks of parties, including public and private, national and international actors as well as experts of concerned disciplines.

The issue-specific commissions could decide on the creation of sub-commissions. For example, in the international finance area, one could distinguish between four main pillars and create sub-commissions on, respectively: global financial regulation; financial crisis prevention/management; global public finance (covering foreign aid/development assistance, including subsidized loans and guarantees; and GPG financing); and independent monitoring and supervision of compliance.

2—Appointing a (main) global governance commission

The work of this commission would build on the inputs from the issue-specific commissions. The objective would be to assess cross-cutting governance requirements, compatibility and linkages between various issue-specific reforms, and most importantly,

the role and composition of a global leadership group that could watch over global-macro trends and foster more balanced and sustainable global growth and development.

This leadership group would perhaps have less a policymaking and priority-setting role. This function could remain with more representative bodies like the UN General Assembly (in whatever reformed way it may continue). Rather, the main function of the global leadership group could be to ensure that goals translate into action-oriented decisions, and that these decisions receive follow-up, nationally and internationally.

3—Organizing a special international conference on global governance

This conference could review the outcome of the commission process, recommend for adoption desirable reforms, request further study of others, and importantly, agree on follow-up arrangements to ensure effective implementation of the recommendations ready for implementation.

III Possible next steps

The Rome meeting of the Shadow G_n could submit a proposal for launching a global governance commission process along the lines outlined in this paper to the forthcoming G-8+⁶ summit meeting and request the leaders attending the summit to endorse the proposal and pledge requisite financial support.

The proposal could also be submitted to other international bodies and foundations for added endorsement and support.

Potential supporters should be assured that the final terms of reference for the proposed commissions and the conference would be formulated in a truly multilateral way and that the whole commission process, too, would be multilateral, representative and transparent.

⁶ The “+” refers to the non G-8 countries that might be invited to attend the Rome summit.