

Lecture 4: Global Governance

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Good morning, my name is Kimon Valaskakis. I am a professor of economics at the University of Montreal, formerly the Ambassador of Canada to the Organisation for Economic Co-operation and Development, and before that Director of the Gamma Institute, a think tank. In this lecture I will elaborate on the overall global governance picture, the stresses on this governance system that face us today, and the direction of desired change.

At present, in 2004, the global governance system is essentially based on the Treaty of Westphalia, which was signed in 1648 in Europe. The principle characteristic of the Treaty of Westphalia is that it organized the European system, at that time, and the whole world system a bit later, on the basis of sovereignty. Initially, sovereignty was endowed in the sovereign — the king, or the emperor — and later on, it became endowed in national governments.

Today, we are trying to govern the world by juxtaposing 200 national governments, of which 191 are members of the United Nations. These 200 sovereignties have also created a system of intergovernmental organizations (IGOs), of which there are hundreds with the most important being the United Nations. Other IGOs include the [North Atlantic Treaty Organization](#) (NATO), the [Organisation for Economic Co-operation and Development](#) (OECD), the [International Monetary Fund](#) (IMF), the [World Bank](#), and groups such as the G8 and [G20](#). None of these IGOs, with the exception of the European Union, have supranational authority. What authority these IGOs do have is delegated from the national governments, which can withdraw their delegation at an appropriate time and recover their sovereignty. IGOs do not have any power beyond that which is delegated by their national governments.

Given the challenges that exist in the world today, a number of observers have come to conclude that this Westphalian system of juxtaposing national sovereignties deals with current and future problems both inefficiently and insufficiently. What are these challenges? First, there is the major challenge of globalization. Globalization has occurred in many forms over time, but has accelerated in the last 50 years of the 20th century. Globalization essentially means that human activities — economic, social and political — have migrated from the restricted theatre of the nation-state to the theatre of the global system. Political and economic borders no longer mean much. The result of this historical process of globalization has been a world without borders, which inadvertently and unexpectedly also becomes a world without rules. There are no rules to match the current borderless world. This has been compounded by the fact that national sovereignty is exercised over territory, whereas most of the challenges of today are non-territorial and global. Consider financial crises, controlling the internet, climate change, terrorism, organized crime and disease: all these challenges are global, and cannot be successfully met at the national level.

In addition, non-state actors, which did not exist in the heyday of the Westphalian system, have become major players on the world stage. Non-state actors, which are neither national governments nor IGOs, in most cases have more economic, and therefore political power than governments. Of the top 200 economic entities in the world for 2001–02 — measured according to their ability to spend, which is a good criterion for gauging political influence — there are only 39 national governments, compared to 161 corporations. The leading six corporations for that period were Exxon, GM, Ford, Mitsui, Daimler-Benz and Mitsubishi,

each of which has as much spending power as the weakest economic member of the G8, namely Canada. If these six corporations were to form a conglomerate, there is only one government in the world that would have higher spending power — the U.S. government. These powerful actors are making global governance a major issue, much more so than half a century ago when national governments still had sufficient authority.

In this young millennium, we have already witnessed at least three major societal crises that have destabilized the global governance system. The first was the terrorist attacks of September 11, 2001, a crisis that completely upset the global security picture. September 11 showed that there is no such thing as a state fortress. The terrorists used U.S. planes that were leaving U.S. territory; they did not attack from an external position. The threat to security is no longer nation to nation but is now non-state actors to nations and non-state actors to other non-state actors, resulting in a completely new set of rules as far as security is concerned.

The second major societal crisis that occurred in this millennium was inaugurated by the Enron/WorldCom scandals, and has subsequently been followed by a corporate scandal almost every month and, in some cases, almost every week. Thanks to globalization and the ease with which corporations can move freely across borders and use one jurisdiction against another, a borderless and rule-less world has emerged. This phenomenon has greatly increased the capability of corporations to negate and neutralize national jurisdictions and has resulted in all sorts of unrestrained behaviour: accounting excesses, fictitious transactions, hiding of profits, and other unethical actions. Given the fact that there are no global rules, in many cases these corporations have not actually violated any law, which compounds the problem because it means that such excesses are possible. It is as though an economic Olympics is emerging without rules or referees. This situation is extremely destabilizing for the world as a whole.

The third crisis, which occurred in 2003, is the invasion of Iraq and its global implications on governance. The Iraq crisis, especially the Anglo-American intervention, was a classic example of a non-Westphalian situation. One of the key elements of the Westphalian system is that a state does not intervene in the internal affairs of another sovereign state. When the United States and Great Britain intervened in Iraq, most of the world opposed this act in terms of public opinion. However, the world community at large has now accepted the principle of intervention in the affairs of a sovereign country, upon condition that any such intervention is considered legitimate. In other words, under certain circumstances, such as genocide, a humanitarian crisis or a threat to global health, intervention is justified in a non-Westphalian sense. The world community is ready to accept this, yet no rules have been established to make such an intervention legitimate and efficient. Consequently, again, all sorts of excesses are possible. In the case of Iraq, the United States, as the reigning superpower, took it upon itself to intervene, which raises the question of what happens if a superpower intervenes using the same principles. The idea that pre-emptive intervention in the affairs of a sovereign country can happen without any rules whatsoever is destructuring and destabilizing for the world situation.

For these reasons, we have a global system that is in the process of disintegrating, and we need to come up with something new and different. Many initiatives are developing. One of such activities is a global initiative called the Global Governance Group (GGG) – Club of Athens. The GGG has been mandated by Switzerland's Fondation pour le progrès de l'homme to answer the following question: Who is doing what in the field of governance in government, the private sector and civil society? The GGG has come up with 5,000 websites of initiatives by civil society organizations, foundations, corporations, academics and governments, each dealing with some as-

pect of global governance. We have discovered that there is almost one governance-related conference a week. So it is a very crowded field. Yet despite hundreds of meetings and sub-meetings, the situation remains unchanged, and could indeed worsen if there are new crises in the future.

Some principle characteristics of these initiatives are, first, that they are very fragmented, in the sense that they only look at part of the global governance picture. Some initiatives look at ecology, some at women's rights, some at terrorism, and some at finance. There is a need to connect the dots, to see how economics relates to environment, how environment relates to politics, how politics relates to finance — and how technology relates to all of the above. These connections are not being made, which is a weakness of these initiatives.

Another weakness of these initiatives is that on the one hand there are conferences involving decision makers, usually from the private or public sectors, one of the most famous being the [World Economic Forum](#) at Davos, Switzerland, where these influential actors can network at its annual conference. On the other hand, there are the academic conferences and conferences among the non-governmental organizations (NGO) and civil society organizations, with thinkers and benevolent volunteers who deal with the issues.

In my own career, I have had the advantage of being both a thinker, as an academic and consultant and leader of a think tank, and a practitioner, as Canada's ambassador to the OECD, where I signed treaties on behalf of Canada and worked with my colleagues from the 29 other countries to formulate policies. I have observed that there is an enormous gap between the thinkers and the practitioners. The actors very often have no time to think, because they have to act or react. The thinkers are rarely called upon to act, and go from conference to conference, write papers, publish them in books and journals, and live happily ever after without necessarily influencing the real situation.

The gap between these thinkers and doers is a serious problem, given the urgency of the global governance challenge.

The third weakness of the initiatives is that most do not lead to any kind of debate or dialogue. People tend to meet among the converted. For example, the Davos crowd all support some form of globalization and the counter-Davos movement — the [World Social Forum](#), at which meeting of civil society groups and movements that initially met at Porto Alegre, Brazil, but met in India in 2004 — is against globalization, but there is very little dialogue between the pro and the anti. The result is that there is very little advance made in finding new solutions to governance problems.

Finally, the last weakness of these initiatives is that most of them come up with a wish list at the end their conferences, saying the obvious, but with no implementable plan of action to improve the system of governance.

Given all of these weaknesses and given the urgency of the situation, the GGG–Club of Athens, which is a group of about a hundred people around the world, is planning to bring together the movements and the thinking that is being done in the 5,000 initiatives, governmental and otherwise, that we have identified. We hope to provide a pre-negotiating forum that will eventually lead to a better governance system. This forum would consist of three groups of actors: government actors, together with the IGOs these national sovereigns have created; the private sector, in terms of corporations, unions and other legitimately organized groups; and civil society, which has emerged because of the failure of the first two groups to deal with the situation. It will thus create an institute of governance that favours citizen participation. The goal is not only efficiency but also transparency and legitimacy, which would go a long way in terms of coming up with new forms of governance in order to better manage this planet Earth.

The GGG–Club of Athens initiative uses the metaphor of ancient Athens, the cradle of democracy, in thinking that the challenge is

to democratize globalization, and to come up with the global Athens, the global city-state, the cosmopolis. The GGG–Club of Athens also picks up on the metaphor of the governance club that emerged about 30 years ago, the Club of Rome, which started the ball rolling in thinking about world issues.

In order to launch the Club of Athens in a decisive and perhaps even dramatic way, the inaugural conference will be held in Athens, Greece, from October 21 to 24, 2004. The conference, entitled the Olympics of Governance, will attempt to be a cross between Davos and Porto Allegre by fostering a real debate. We are using the platform of the Athens 2004 Olympic Games with the purpose of achieving three objectives. The first objective is to acknowledge the state of global governance in a number of fields, such as the economy, sustainable development, human security, technology and demographic issues, emphasizing their interrelationships. Objective number two is to be the constituent assembly of the GGG, worldwide, and invite as many representatives of the 5,000 initiatives as possible. The third, and most important objective, is to come up with an action plan for the next four years, 2004 to 2008, that would be more than just wishes. This concrete action plan is what will make this meeting different from other events.

In order to make the conference even more distinct, capitalizing on the Olympic theme, we will introduce Olympic-type intellectual debates for each issue to be attacked by antagonists and protagonists. The Club of Athens special jury will determine the gold medal winner, and the City of Athens will produce these medals as part of the first modern intellectual Olympics. This, by the way, picks up on the ancient traditions of the Olympic Games, where in addition to the sports events, there were intellectual tournaments with various philosophers, sophists, advocates and orators competing for prizes.

We are coming up with a new process and new content, attempting to fill a gap that exists, linking the proliferation of initiatives. We

need to get these actors to talk to each other. The GGG, which will be officially launched in Athens in 2004, is expected to be a ten-year initiative, and will attempt to network, assemble and federate the existing governance efforts in order to make them more useful, more efficient and more transparent. Using the Olympic theme, we want to move from Olympics to Olympics, with our next benchmark be the 2008 Beijing Olympics.

The GGG–Club of Athens is one initiative among many, but I think it falls into the category of what is needed. We have to get governments involved in an active sense, and we have to go beyond the usual formulas. Right now we have the G8 and the G20, the G20 being an initiative launched, in part, by the current Canadian prime minister Paul Martin. As Minister of Finance, Martin was the G20's first chair. The G20 includes finance ministers and central bank governors, which is good, but can be criticized for not being very representative or democratic. It neglects the inclusion of civil society and other actors. Other groups exist, such as the OECD, which in a sense is a G30, but these, too, are vulnerable to similar criticisms.

The point that some of us are making is that the truly successful governance initiatives will be the ones that include three groups of actors: governments, the private sector and civil society. A government-only group would be systematically attacked by demonstrators, a purely private sector organization will be even more so and a group that only includes civil society may not be attacked by demonstrators but will have very little effect, no one will know about them. Had we not been subsidized to discover the 5,000 websites, we would never have heard of them.

In conclusion, we need a world system that is customized for the challenges of today. I like to use the metaphor of Microsoft and its operating systems. Microsoft changes its operating system every two years. We have an operating system for Earth that was designed in 1648. Surely it is time to come up with an update. •

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Discussion Questions

1. Is today's globalization nothing new, a historical inevitability, a product of new technologies or the result of democratic choice?
2. To what extent and in what ways did the second, post-World War Two wave of globalization offset the costs, enhance the benefits and alter the cost-benefit balance of the first wave of globalization launched by European imperial expansion?
3. Which countries and regions are in the best position, and which are in the worst position, to benefit from today's globalization?
4. What impacts have the terrorist attacks of September 11th, 2001, on North America had on the process of globalization?

Quiz

1. According to the Treaty of Westphalia, a sovereign nation-state:
 - a. can assume control of any territory it chooses.
 - b. must recognize the sovereignty of other nation-states over their domestic affairs.
 - c. must defer to non-state actors in exercising economic power.
 - d. can enforce rules that affect citizens of neighbouring nation-states.
2. The World Social Forum:
 - a. is a section of the World Economic Forum.
 - b. takes place several times a year in the same place.
 - c. acts as a single organization to promote trade liberalization.
 - d. is an annual meeting of civil society organizations.