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Conference Paper

Fixing failed multilateralism

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The Global Polity

Fixing Failed Multilateralism

The Challenges

Globalization has made the world interconnected as it has never been heretofore. The dangers of this interconnectedness are becoming increasingly obvious in the face of the financial crisis of 2008, the dangers of climate change, the breakdown of the Doha Round on international trade, the threat of nuclear proliferation, the multifaceted risks of terrorism, the looming ethnic and religious conflicts, and more.

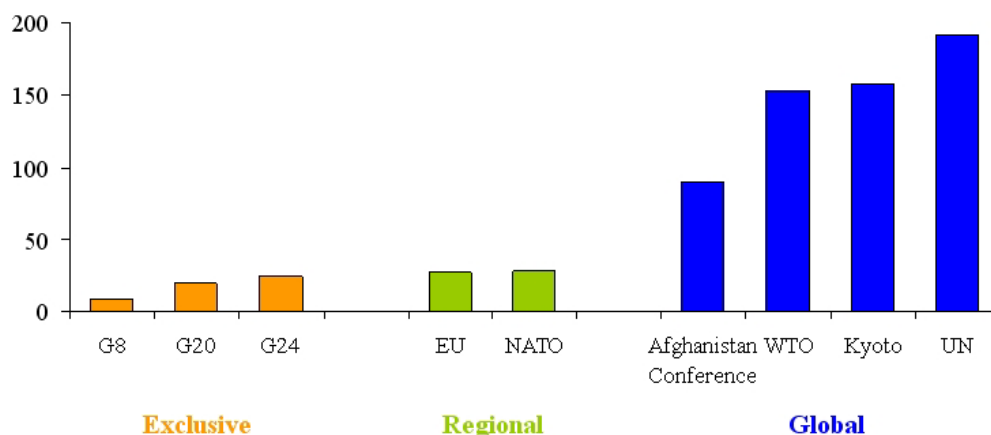


Nevertheless, most policy decisions in these areas continue to be made on a national level.

How can the world community break out of this trap of failed multilateralism? To what degree does the interrelatedness of the global problems require interrelated governance institutions? What new international institutions are required to rectify the existing world governance gaps?

What changes in existing institutions are called for? How can global governance structures be accommodated to the new geopolitical realities? How can these governance structures be reconciled with national sovereignty? What general policy guide lines are useful for the reform of national and international governance, so that the major global challenges can be addressed efficiently and fairly? What is the role of business and civil society organizations in this process of policy reform?

Multilateral Governance - How Big To Fail?



Note: Number of participants. Source: <http://www.un.org/en/aboutun/index.shtml>; <http://www.bmu.de/english/climate/unfccc/doc/44282.php>; <http://www.wto.org/>; <http://www.spiegel.de/international/world/0,1518,616736,00.html>; http://www.nato.int/cps/en/natolive/nato_countries.htm; http://europa.eu/abc/european_countries/index_en.htm; <http://www.g24.org/members.htm>; http://www.g20.org/about_what_is_g20.aspx; <http://www.g8italia2009.it/>.



Proposed Solutions

Aart De Geus

Deputy Secretary-General, OECD

Global context

In my intervention I would like to depart partly from the emphasis on the willingness to implement the UN reforms such as Security Council membership reform, ECOSOC reform, or a rationalization of overlapping UN agency mandates. These are all important subjects, and others are more qualified to me to comment on them. From my privileged position at the OECD, I would like to explore the important contribution that informal networks like G8 and G20 make to improve global governance and to find common ground that helps in tackling global challenges. In particular I would like to explain our role at the OECD in supporting the Heiligendamm Aquila Process between the G8 and the G5 countries.

G20

The success of the G20 since it first met at leaders' level in Washington last November strongly suggests that the current financial and economic crisis is accentuating the need for what scholars termed "multilateralism light." Informal governance brings together leaders who can change things, and it offers a fast way of incorporating emerging powers such as India and China into global governance.

G8

The G6/7/8 has been the quintessential informal governance body since 1975, an annual opportunity for the heads of state or government of the major industrial democracies to meet to deal with the major economic and political issues facing their domestic societies and the international community as a whole. These yearly Summits have developed the MDGs, the HIPC and the Global Funds.

In the 1997 Denver Summit marked full Russian participation in all but financial and certain economic discussions. The birth of the G8 was at the 1998 Birmingham Summit. In recent years it became clear that the G8 should work closely with emerging economies.

Heiligendamm Process

The Heads of State and Government of the G8 and the G5 (Brazil, China, India, Mexico, and South Africa) launched the Heiligendamm Process at the German Summit in Heiligendamm 2007 in order to discuss crucial challenges of the world economy, in particular in the following four fields:

- development, with a special focus on Africa;
- promoting cross-border investment to mutual benefit;
- promoting research and innovation, including intellectual property rights (IPRs);
- energy, with special focus on energy efficiency.

The HDP is a space for political dialogue, its aim is to build trust among the dialogue partners and develop common understanding on issues of global importance. In the HDP Concluding Report at the recent L'Aquila Summit, partners have committed to share responsibility and to take a lead in tackling global challenges of the world economy. In 2007 the OECD was asked to serve as a platform and support the process in a special secretarial unit in OECD.

G8 2009

In L'Aquila July 2009 it was decided to continue the Process as the Heiligendamm L'Aquila Process (HAP). As the OECD Secretary-General Angel Gurría said at the Summit, "closer and stronger ties between the G8 and G5 countries are critical for tackling the increasingly complex global challenges facing our countries, and never more so than in the current economic crisis." We at the OECD stand ready to continue serving the HAP partners in addressing pressing global challenges and cross-cutting issues which have an impact on global development efforts.

Edward de Bono

Author and Consultant

FICS = Functional Internal Currencies

A few years ago, there was inflation in Ireland. As Ireland was part of the Eurozone the government were unable to raise interest rates as these were set by the Central bank in Germany.

With increasing globalisation a country has fewer and fewer ways of controlling the local economy. Functional Internal Currencies (FICS) may become necessary. There could be a spending currency directly to stimulate spending with a favourable exchange against the normal currency. There might also be saving currencies and investing currencies. The exchange rates could be set weekly.

It might even be necessary to have a property currency to reduce violent fluctuations in property prices.

All these are ways of reducing the positive feedback effects which cause cyclic changes in the economy. There is a need to dampen these feedback loops.

Jeffry Frieden

Professor, Department of Government, Harvard University

It is first of all important to establish what the problem is which requires "fixing," and what has "failed" that needs to be corrected. Certainly there has been something of a decay in commitments to universalist multilateral institutions, but we need to analyze the roots of this in order to try to formulate a response.

International institutions arise in order to facilitate governments' attempts to manage their interactions. They cannot "solve" problems in and of themselves, only facilitate the solving of problems by their principals, typically nation states. Government support the creation or expansion of international institutions when they perceive some net benefit to the investment of time, energy, and resources in the institutional initiative.

In the area of international economic institutions, it is common to observe that there is a functional need for some form of governance structure that is consistent with the extent of the externalities that economic activity can create. As financial markets have gone from national to global, so have their effects; and yet there is no global financial regulator to deal with the internalization of these externalities. There is thus a strong normative case for such a global institution, which would require multilateral agreement on its creation and operation.

However, such normative arguments – strong as they may be – will go nowhere unless there are governments with both the interests and the power to put these ideas into effect. Multilateral agreements cannot be imposed, and must be voluntary. This means that realistic proposals to extend and expand multilateral initiatives require a clear-headed sense of government motivations, and of the realm of the possible.



In this context, it would be counter-productive to be rigid about abstract principles or pre-conditions for attempts to improve cooperation among governments. Insistence on acceptance of open multilateralism, or on rejection of regional initiatives, are likely to impede forward movement. Governments facing severe domestic political constraints will find it impossible to make sacrifices on behalf of an intangible payoff.

Partial multilateral cooperation is better than no cooperation at all. This means that it can be productive to pursue regional cooperative ventures, especially where there are political processes in place to facilitate them or where the regional externalities are particularly prominent. It may also be productive for governments to structure limited agreements in issue areas in which there is agreement, even if there remain grave differences on other dimensions – such as on aspects of financial market reforms rather than a full-blown global regulatory arrangement.

In all of this, especially in today's trying times, it is important not to let the best be the enemy of the good. Truly multilateral agreements and institutions are best, and highly desirable; but in their absence, we should be prepared to settle for what governments find feasible in their current circumstances.

Rainer Schweickert

Kiel Institute for the World Economy

1. Define variable geometries according to the problem at hand, thereby allowing principal actors to adopt responsibility for suggesting and implementing solutions to world-wide problems.

Taking into account the new geopolitical realities, sub-groupings of or groupings including G20 countries may provide the core of countries for initiating and implementing quick and practical responses to world wide problems. Principal actors among industrialized and developing countries have to adopt responsibility for most targets like financial stability, climate change, and free trade. Standards, e.g., for financial regulation, set by this group, should provide strong incentives for other to join in order not to be excluded from globalization.

In the same vein, the only promising option for more efficient in peacekeeping, conflict prevention, and post-conflict reconstruction efforts, is NATO in cooperation with the US and well-functioning regional organizations like the EU. NATO, e.g., with different layers of regional cooperation could form the basis of a multilayered, multilateral security order that might be a useful supplement to an apparently defunct UN system of collective security. In addition to the Europe-Atlantic Partnership Council and the NATO-Russia Council, one can easily envision a NATO-Asia Council or a NATO-Middle East Council.

2. Integrate the UN system of open multilateralism by acknowledging the de-facto system of closed multilateralism in order to provide a higher degree of legitimacy and acceptance for intergovernmental decisions.

Reforming the UN does not lack concepts but willingness to implement. Momentum has to be created for pushing reforms such as Security Council membership reform, ECOSOC reform, or a rationalization of overlapping UN agency mandates. At the same time, the current crisis exemplifies the limited role of open multilateralism.

The role of the UN may have to change towards the coordination of initiatives designed and implemented by other multilateral organizations. With respect to international security, NATO already acts on behalf of the Security Council. So far, ECOSOC does not play a corresponding role while proposals for upgrading ECOSOC to a UN Council for Economic and Social Security Council already suggest to include a group of countries similar to G20. A second council of eye's level with and jointly meeting with the Security Council would indeed be more inclusive allowing (1) to consider economic but also population weights, (2) to integrate governance



over WTO, World Bank, IMF, and UN specialized agencies, and (3) be based on regional representation with the EU as a role model for other regional cooperation schemes like ASEAN or MERCOSUR.

3. Provide a balanced representation of civil society and business voices on global issues.

Closed multilateralism lacks legitimization and even a reformed UN remains an intergovernmental event where centralized power is controlled by an oligarchy of few governments. However, the upgrading of ECOSOC would also upgrade the voice of civil society organizations in the UN. Currently, participation is informally ruled by the Arria Formula concerning the Security Council and an accreditation scheme concerning ECOSOC. In addition, Global Compact provides a platform for business initiatives on issues such as climate change, corruption, and human rights. What would be necessary to match any upgrading is more transparency of civil society and business participation and a more balanced representation of North and South organizations.