



**Dialogue** on  
**Globalization**

**BRIEFING PAPERS**  
**FES BERLIN**

## **The Comeback of Global Governance. Ways out of the crisis of multilateral structures**

*MARC SAXER*

## 1 Introduction

Looked at in terms of global governance, the past year was a difficult one. Once again, the Doha world trade round collapsed in disarray. Faced with the stiff wind blowing from the ongoing financial crisis, the follow-up to the Monterrey Financing for Development Conference, has managed no more than to secure the status quo. The preliminary talks in Posnan have given some indication of the magnitude of the obstacles littering the way to a global climate agreement. The nuclear non-proliferation regime is under severe pressure. Multilateral structures of peacekeeping show clear signs of overstretch. The worst financial crisis since 1929 led to a comeback of the International Monetary Fund (IMF), but also disclosed the shortcomings of the global financial architecture. And in Europe, Irish voters rejected the EU Lisbon Reform Treaty. Some observers see in these events a bad omen for the 2009 global agenda.

However, the political climate seems to have changed in favor of global governance in the face of genuine global problems, such as terrorism, the climate and energy crisis, and the world financial and economic crisis. Leading political actors outdo each other with suggestions for a new world order: President Obama wants to establish a new disarmament and non proliferation regime. The German Chancellor Merkel called for a world economic council. French President Sarkozy and British Premier Brown advocate an international banking oversight commission. Germany and France together with Russia and Brasil promote a new global economic and financial architecture with a special focus on regulating financial markets. China and Russia call for a new global reserve currency - an idea that is going to be discussed at this year's UNCTAD conference. Few of these suggestions are new and only a few will stand a chance to be implemented in the medium term. The international community failed to significantly reform global governance structures in the aftermath of previous crises, too. However, chances for implementation of reform proposals for multilateral structures have not been better in years.

If, in the 1990s, global governance structures such as the IMF and World Bank were still coming in for criticism as a neoliberal world government, the current financial crisis is a clear indication of how urgently an effective global regulatory framework is needed to come to grips with the present crisis and to contain future excesses. While climate change and a looming global energy crisis have now generally been acknowl-

edged, political leaders are seeking, here as well, to create a global regulatory framework geared to mitigating and adapting to these genuinely global problems. A growing majority of the US population has come to realize that the Bush Administration's go-it-alone policies have failed, and there is a growing willingness there to seek multilateral solutions for global challenges like nuclear proliferation. In addition, the geopolitical disarray over the conflicts in Kosovo and South Ossetia, the international community's failure in Darfur, and the resurgent conflict in the Democratic Republic of Congo (DRC) are drastic evidence that a multilateral peacekeeping and peacebuilding machinery is, in itself, not sufficient to deal with intrastate conflicts as long as the major powers are unable to reach a fundamental political consensus on how to deal with the systemic problem of state decay and failure.

All the same, though, reform efforts of the system of multilateral structures still seem to be getting nowhere. The present paper seeks to cast some light on the root causes of the ongoing crisis of the international system, advancing some proposals on approaches suited to overcoming the crisis.

## 2 The twofold crisis besetting the established system of multilateral structures

The established system of multilateral structures is in the midst of a twofold legitimacy crisis: a representation crisis and an effectiveness crisis.

### Crisis of representation

The existing global governance architecture was created by the powers that emerged victorious from the Second World War, and above all by the leading Western power, the United States of America. While the institutional structures continue to reflect the geopolitical and economic realities of the second half of the 20<sup>th</sup> century, global power structures have in fact shifted. And while Russia and China have permanent seats on the UN Security Council, other major nations, including India, Brazil, Japan, or Germany, do not. There is not one African or Latin American nation, not one Muslim country permanently represented in the UN's central body. The International Monetary Fund's (IMF) system of quotas and voting rights accords to the European countries a preponderance no longer justified by their weight in the world economy. Despite the limited voting-

rights reform carried out in March 2008,<sup>1</sup> the Benelux countries – to cite an example – continue to have a higher quota than China.

The dominant Western powers benefit from some advantages that have been built into the charters and procedural rules of multilateral institutions. To cite an example, the Security Council, with its veto-wielding permanent members, is United Nations' power center, not the General Assembly, with its large majority of developing countries. Traditionally the managing director of the IMF and the president of the World Bank have been chosen from candidates from the US or Europe. The Nonproliferation Treaty serves to cement, by legal means, the division between nuclear haves and have-nots. States in possession of nuclear weapons, like India and Pakistan, cannot join the NPT as "nuclear weapon states".

The major emerging powers in particular are no longer willing to put up with this lack of representation. They are proving better and better at throwing their increased weight into the balance outside the established multilateral structures. In the Doha world trade round, for instance, an alliance led by India and China has stood up to the pressure exerted by the industrialized Western countries. China pursues its interests on the basis of a system of bilateral agreements and new institutions, like the Shanghai Cooperation Organisation (SCO). The Asian and Latin American nations are working to build regional financial governance institutions of their own as a means of working around the influence of the Western-dominated Bretton Woods Institutions (IMF and World Bank).<sup>2</sup> The legitimacy crisis of the global regulatory framework thus entails a risk that the established structures could be hamstrung, or indeed replaced, by competing regional arrangements.

---

1 See "IMF Executive Board Recommends Reforms to Overhaul Quota and Voice", Press Release No. 08/64 March 28, 2008, <http://www.imf.org/external/np/sec/pr/2008/pr0864.htm>.

2 While, in response to US pressure, no decision was taken by Asian countries in 1997 to establish an Asian monetary fund, they did take a step in this direction by launching the Chiang Mai Initiative, and there are plans to build on it in the course of the present crisis. See Titik Anas and Deni Friawan "The Future Role of the IMF: Asian Perspectives", FES DoG Briefing Paper 1-2008. In 2008 the Latin American countries created a regional development bank of their. Vgl. Roberto Frenkel „Current Problems with the IMF and Challenges Ahead – A Latin American Perspective, FES DoG Briefing Paper 16-2007.

## Crisis of effectiveness

At the same time, the system of multilateral structures is beset by an effectiveness crisis. As the global system of collective security, the United Nations proved incapable of preventing the genocide in Rwanda and the ethnic cleansing in Bosnia, and today the hybrid UN-AU mission in Darfur is at risk of failure. The IMF – the paramount guardian of the international financial system – failed to issue any clear-cut warnings of the impending financial crisis, the worst seen since 1929. Still, the crisis has served to propel the IMF back into the center of crisis management. The fund has granted (emergency) credits to several countries,<sup>3</sup> and it will in all likelihood continue to be needed as a stabilizing factor. And it is at the same time clear that many countries mistrust the support offered by the IMF in times of crisis and are intent on seeking to get around the economic-policy recommendations and/or conditionalities inevitably imposed in connection with IMF support.

The World Bank is obliged to respond to accusations that the policies it has imposed in many countries have led to serious distortions, while the East Asian countries that have steadfastly rejected the prescriptions of the Washington Consensus have made substantial progress in catching up with the developed countries. A new attempt to bring the Doha world trade round to a successful conclusion has, once again, failed. A proliferation of bilateral agreements threatens to marginalize the WTO. And the WTO is faced with the threat of losing even more of its weight if it fails to embrace new issues, pointing to its limited mandate in the field of trade.<sup>4</sup> And despite the numerous conventions and declarations for which it is responsible, the ILO is in danger of coming to be seen as a toothless tiger.

Distortions are also becoming evident inside the UN system. The attempt to replace the failed Human Rights Commission with the Human Rights Council in order to impart new meaning to the UN's central human rights forum has once again foundered in the polarized atmosphere between North and South. ECOSOC, conceived as the cen-

---

3 E.g. it has provided loans amounting to a total of US\$ 47.9 billion to Hungary, Iceland, Ukraine, Belarus, Pakistan, Kyrgyzstan, Malawi, Serbia, and Lithuania. Requests have been received from El Salvador and Turkey.

4 In a speech he held before the WTO General Council in mid-December, Pascal Lamy declared that the WTO now needed to "look beyond Doha" and tackle issues like climate change, energy and food security, all of which have trade-related aspects.

tral UN organ for economic and social development, has never really proven adequate to its task. In seeking to coordinate a present total of 18 peace operations with roughly 112,000 men, the UN Department of Peacekeeping Operations (DPKO) has come close to reaching its limits.

These problems must be seen as due in part to the faulty internal arrangements in place in, the insufficient funding available to, and the flawed policy approaches pursued by multilateral organizations. However, the effectiveness crisis must also be seen as a reflection of the polarized atmosphere among member countries, a situation that was again aggravated by the illegal US-led invasion of Iraq. One of the most important factors behind the effectiveness crisis was the unilateral policy approach favored by the Bush Administration, which, for ideological and geopolitical reasons, undermined and weakened the multilateral system. As one of the central architects of the existing world order, and as a hegemon in the world of states, the US has replaced the role it traditionally played as a guarantor of the international system with a policy geared to eroding and marginalizing the system of multilateral structures.

The outcome is that a number of central actors have begun to pursue their policies outside of or counter to the system of multilateral structures. That could not remain without substantial impacts on the ability of multilateral structures to formulate and implement effective problem-solving strategies.

### **3 Problems involved in overcoming the crisis**

#### **Changes in the global balance of power**

The global balance of power is changing at a breakneck pace. There is a broad consensus that the Western countries will, in the long run, sustain relative losses in the influence they wield, while a number of large emerging countries stand to gain influence. There is less agreement when it comes to the question of how rapidly global power relations are set to change and what countries should be included in the group of emerging powers. It would seem that an approach in widespread use simply "multiplies" the economic potential of a group of countries originally referred to as emerging markets by their population strength and geostrategic potentials, coming up with the title of "rising powers" for countries like China, India, and Brazil. South Africa and Mexico, in some cases Indonesia, have since been added to this list of emerging powers. The picture is rounded off by a re-

surgent Russia that is again acting more and more like a great power. However, this list on the one hand overlooks the divide separating these countries' political and economic potentials. On the other hand, one problem with the concept of rising powers is the asynchronicity of the phenomenon in question. While China is today already posting real growth in its economic power and political influence, the other cases bear more resemblance to a hedged bet on the future of the countries concerned than to a realistic assessment of their actual economic, political, diplomatic, and military power resources.

It has taken the present world economic crisis, itself triggered by the financial crisis, to show how volatile these projections of the future in fact are – and how exaggerated the political assessments derived from them may at times be ("World War for Wealth"). For instance, against the background of plunging commodity prices, capital exodus, and ruble crisis, Russia, still feared in mid-2008 as a resurgent giant, now, once again, appears to be an economic shambles. India, the "world's service center," is girding up for an economic slump and was recently painfully reminded of its domestic vulnerability in the terrorist attacks carried out in Mumbai. Nor is China likely to be able to avert social and political upheavals if it proves unable to continue to use prosperity gains to mitigate domestic tensions.

The volatility of the ongoing process of change as well as some exaggerated political assessments of global power relations clearly illustrate why it is that the representation crisis is bound, in the near term, to remain impervious to attempts to remedy it on a purely numerical basis. On the one hand, the "declining" European powers are bound to continue to cling to their institutionally codified influence, while on the other hand it is today by no means clear what shape a 21<sup>st</sup> century global balance of power resulting from a reform of multilateral structures will ultimately have.

#### **Divergent conceptions of global governance**

Another obstacle to any rapid resolution of the crisis of multilateral institutions must be seen in the divergent conceptual approaches on which the positions of some of the central actors are based.

Europe's goal is a world order based on codified rules and a system of effective multilateral institutions derived from the history of European unification, with its logic of negotiation and com-

promise transferred to the global level. Accordingly, the European Union and its member states work to promote regional unification processes under the umbrella of global multilateral institutions. The realization that nation-states are no longer able to solve global problems on their own has given rise to Europe's call for common approaches to problem solving in the framework of effective multilateral institutions. What is needed first and foremost for this model to function is that a share of national sovereignty be transferred to multilateral – indeed, potentially even to supranational – governance institutions. Encouraged by the positive experience made with the process of European unification, many European countries in general advocate a concept of limited sovereignty. However, European nations pursue different approaches to solve the legitimacy crisis resulting from a lack of representativeness. While the United Kingdom, France and the social democratic part of the German government opt for an appreciation of emerging powers in multilateral institutions, Italy and the German chancellor raise concerns about the effectiveness of international decision making processes.

However, not all countries are willing to cede any of their sovereignty. The postcolonial countries of the South in particular tend to cling to a concept of sovereignty rooted in the Peace of Westphalia, one that many regard as the quintessence of independent statehood. They therefore view with suspicion any cession of sovereign rights to multilateral institutions, or reject it as a back-door entrance for neocolonialist intervention. In addition, regional integration is proving extremely difficult in some regions. In South Asia, for instance, a number of weak and conflict-ridden countries are grouping around the rising power India, although these countries at the same time reject India as the lead regional power. Brazil and South Africa have encountered similar reservations in their own regions. China, India, and possibly also Brazil are for this reason seeking to expand their influence directly, at the global level. While regional integration processes are making reasonable progress in some regions (e.g. West Africa, Southeast Asia), there is no reason to expect this situation to materialize in every region. It is thus unrealistic to speak, for the medium term, of a global governance architecture building on regional integration processes.

India has yet to define sufficiently the role it envisions for itself in a future world order. The relevant notions vary from a leadership role in the

developing world to a new sense of self-assurance as a rising global power. In view of the fact that a regional leadership role seems relatively unrealistic over the medium term, New Delhi is seeking to join forces with other major actors (IBSA with Brazil and South Africa, nuclear agreement with the US, coordination and balance of interests with China, observer status in the Shanghai Cooperation Organization). New Delhi is making use of its increased influence in multilateral institutions (Doha Round), has taken cognizance of its invitation to become involved in club governance structures (G8 Heiligendamm Process), and remains adamant when it comes to positions touching on its traditional sense of independence (Nonproliferation Treaty). A greater measure of integration for India into multilateral structures – particularly if bound up with any cession of national sovereignty – seems unrealistic for the near term, and in the longer term India would be unlikely to move in this direction unless the move entailed a clear-cut boost to its international status.

China is highly reluctant to relinquish any of its sovereignty, and it prefers to go it alone when it comes to elementary issues like energy supply. However, Beijing has recognized that a functioning global regulatory framework may prove useful for securing its economic and political rise, and global rules and dispute-settlement institutions like the WTO may serve to shield China from pressure from Washington. Global institutions like the World Health Organization (WHO) have also proven useful in tackling internal problems like e.g. epidemic diseases. China has also recognized that it will be able to solve its sizable environmental problems only in cooperation with other countries. Beijing is for these reasons increasingly willing to engage in the framework of multilateral institutions. It has appreciably increased its contributions of blue-helmet troops for UN missions and is now, as an exporting nation, engaged in efforts to combat piracy off the Horn of Africa. This fundamental willingness to seek integration within multilateral structures is, however, conditioned on the provision that China's increased weight be reflected in institutional terms and that its core national sovereignty remain unaffected. The reservations China is still articulating towards any full integration into an enlarged "G8+N" thus coincide with the gain in status such a move would mean for China, but, and above all, also to China's pragmatic interest in coming up with solutions to pressing problems. The debate over turning IMF special drawing rights into a new global lead currency, which was initiated by Beijing, demonstrates the will-

ingness to use the increased leverage on the international stage to shape multilateral structures for the own benefit. The involvement in the Shanghai Cooperation Organization suggests furthermore that China could opt to safeguard its interests outside the established multilateral structures. The outcome of this redefinition of China's role is likely to prove to be a crucial factor for the future of global problem-solving mechanisms.

Russia embraces a similar stance. As a permanent member of the UN Security Council and a recognized nuclear power, it enjoys privileges that underline its status as a major power. A rule-based international framework and a set of functioning multilateral institutions are in Russia's national interest, and status is one major reason why Russia views cooperation in club governance structures (G8, Six-Party Talks on North Korea) as useful. Substantial progress is possible in cases where Russia can manifest its strategic parity with the United States, e.g. in negotiations over arms-control. Moscow contributes to collective security, for instance by safeguarding naval routes at the Horn of Africa. However, its contributions to UN peacekeeping missions remain small. But it is not only in the Caucasus conflict, in 2008, that Russia showed unmistakably that it is prepared to bend international rules to fit its national interests. Like other great powers, Russia too thus makes liberal use of a multilateralism *à la carte*.

As a global hegemon, the United States has – after the end of its brief flirt with Empire – an interest of its own in multilateral structures. In its view, global governance may be useful in dealing with global problems, although the lone global superpower is in no way prepared to see its room for maneuver restricted in this way. This Gulliver fears being enmeshed by Lilliputians in a set of legal standards and codes of conduct that might prevent it from continuing to exercise its role as the world's policeman. The US is for this reason highly skeptical when it comes to ceding sovereign rights, further developing international law, and placing US capacities under multilateral control. The new Obama Administration is likely to abandon the ideologically motivated rejectionism of the Bush Administration in favor of a pragmatism geared to solving concrete problems. Its new willingness to join the UN Human Rights Council and its benevolent attitude towards the United Nations in peacebuilding are clear signals in that direction. The announced initiatives to create new momentum for the nuclear disarmament and non-proliferation regime constitute

a complete change in policy. From an American perspective, the reform of global financial governance structure is also far reaching. There is, however, no reason to expect the new administration to abandon a skepticism toward restrictions on US sovereignty that has been a hallmark of all US administrations in the past decades.

In sum, we may say that the central global actors embrace divergent conceptions of global governance. In contrast to the Europeans, many countries are relatively reluctant to cede sovereign rights. In some regions there is little reason to expect progress in the medium term on regional integration processes as building blocks of a multilateral world order. If the crisis besetting global governance is to be overcome, the central actors involved will need to harmonize, or at least to align, the conceptions they subscribe to.

### **The globalization dilemma**

One of the globalization's paradoxes is that the growing interdependence of societies and the emergence of genuinely global problems (climate change, epidemics, terrorism, piracy) call for joint political action on the part of the international community. Common political approaches and the functioning multilateral institutions needed to translate them effectively into practice may therefore be seen as a logical response to the challenges posed by globalization. At the same time, the crises of multilateralism experienced in recent years – we need think here only of the failure of the Doha Round, the rejection of the EU Reform Treaty, and the difficult post-Kyoto climate talks – are a clear indication that interests and identities continue to be defined in the national framework. Compromises in global bargaining rounds and efforts to limit national sovereignty in the name of effective international institutions tend to trigger vehement reactions in many societies. Compromises on symbolically charged, identity-creating issues, or on the need to abandon a cherished position with a view to safeguarding global public goods, are therefore hard to reach – and if they are reached, they may be difficult to communicate to a public at home.

## **4 The global governance agenda 2009**

Despite the generally favorable big picture, the factors named should serve as a warning against any exaggerated optimism regarding the global governance agenda in the year ahead. Developments are likely going to advance differently in the various political fields.

### **The Economy, Financial Markets and Trade**

The global financial and economic crisis, which overshadows all other concerns, also offers a window of opportunity for new cooperation and/or for efforts to further develop the global regulatory framework, steps that have the potential to generate spillover effects for other policy fields. The agenda includes rules designed to render the financial markets more transparent and to contain any future excesses. The G20 summit in London agreed on a number of resolutions on reform of the global financial architecture whose impact should be significant, given that the combined GDP of participating countries accounts for 85 percent of world economy. In addition to a more robust regulation of the financial markets, the *Financial Stability Forum* is to be expanded to include the up to now not represented G20 countries, Spain and the European Commission. The institution will be renamed *Financial Stability Board* (FSB) and is supposed to assume certain functions of a global financial oversight agency. However, its mandate remains largely limited to an advisory role and does not contain sanctioning power to ensure the "guidelines" it is supposed to develop.

The status of the IMF will also be enhanced. Not only will the IMF receive additional resources (trebled to a total of 750 billion USD) and additional special drawing rights (by 250bn USD), for the first time in its history, the Fund will issue its own bonds. In additions, its mandate will be expanded. IMF Managing Director Strauss-Kahn was long planning to expand the role the fund plays in monitoring monetary policies and is considering a future role for the IMF in monitoring the regulations governing financial markets. At the 2009 spring meeting, member states decided to install the IMF as a creditor of last resort, and to enhance its role of a coordinator in the fight against the global recession. These efforts to strengthen the IMF's function in bi- and multi-lateral "surveillance" has met with skepticism on the part of numerous developing and emerging countries. They fear that the rich industrialized countries could in this way be seeking – above all – to exert more pressure on exchange rates. Further, it remains unsettled in what way conditionalities will be reformed. Although the new IMF Flexible Credit Line (FCL) with its less intrusive lending conditions was lauded in the G20 communiqué, and the unconditional SDR were increased, but the latter are primarily granted to rich countries, who can resist IMF pressures more easily anyway. The Fund lately has sof-

tened conditionality on budgetary policies<sup>5</sup>, but still limits poorer countries governments' room for manoeuvre in order to compensate for the sharp decrease in foreign investment and private demand through fiscal stimulus. The IMF still obliges the loan taking countries to limit their deficit financing to one percent of GDP.

The President of the UN-General Assembly, Miguel D'Escoto, has taken up the mandate of the Financing for Development Conference in Doha 2008 and will convene a world summit in New York from June 1 to June 3 to deal with the effects of the financial and economic crisis on developing countries. A preparatory expert commission chaired by Nobel Laureate Joseph Stiglitz has already provided far-reaching proposals for the reform of the global financial architecture in the run-up to the G20 summit in London. The experts call among other things for the establishment of a new top-level world economic council within the framework of the United Nations and support the Chinese push for a new global reserve system with a new reserve currency.

A new attempt to conclude the Doha world trade round would need to bridge the same conflicts of interest between industrialized countries and emerging powers in the sensitive field of agriculture. Although the G20 have been in favor of a new attempt to finalize the Doha Development Round, in the political climate of the world economic crisis it seems very difficult to reach a consensus. It is therefore particularly disadvantageous that the role of the WTO is weakend, just when protectionist reflexes increase.

### **Peace and Security**

A similar window of opportunity is opening up in the field of nuclear disarmament. The initiative for a nuclear weapons-free world has engendered a number of similar initiatives throughout the world.<sup>6</sup> The initiation of negotiations about a new arms-control-agreement between Russia and United States finally signals that the nuclear weapon states stick to their commitment to disarmament, which is a cornerstone of the Non Proliferation Treaty. In Prague, President Obama not only repeated his commitment to a world free of nuclear weapons, but presented tangible

---

5 IMF implements major lending policy improvements, [http://www.imf.org/external/np/pdr/fac/2009/0324\\_09.htm](http://www.imf.org/external/np/pdr/fac/2009/0324_09.htm)

6 Among others, in the UK, Germany, Australia, Norway, India, and Pakistan; for a list of signatories, see [www.GlobalZero.org](http://www.GlobalZero.org).

initiatives: the role of nuclear weapons in the US national security strategy is to be revised, the administration “immediately and aggressively” seeks ratification of the Comprehensive Test Ban Treaty, seeks a new treaty that verifiably ends the production of fissile materials (Cut Off) and aims to build a new multilateral framework for civilian nuclear cooperation, for instance through an international fuel bank. This change of policy on the part of the global hegemon can trigger the urgently needed new momentum required to prevent the non-proliferation regime from collapsing. Whether or not the deadlocked Geneva disarmament conference will benefit from this momentum remains to be seen. The resounding silence in major capitals after the Prague speech points to the fact that not only in US Congress, major obstacles need to be overcome.

The multilateral peacekeeping system shows clear signs of overstretch. The UN mission to the DR Congo faces great problems, the African Union does not receive enough resources for its missions in Somalia and (together with the UN) Darfur, and the NATO effort in Afghanistan is in deep trouble. Impatience is growing among the South Asian troop providers, but Western nations are also politically and militarily overstretched. The hesitant responses to calls for intervention in eastern Congo or Zimbabwe also demonstrate that the political will to shoulder “humanitarian” interventions has waned, particularly on the part of Western societies, which are showing signs of intervention fatigue. The Obama administration signaled its intention to work more closely with the UN in Afghanistan and in within the framework of the Peacebuilding Commission. China seems to be prepared to bolster its engagement in UN peacekeeping missions. The evolution of the peace building commission is exemplary for the entire field: despite significant progress in coordination and the concentration of resources, ongoing internal debates mirror the fundamental legitimacy crisis of the multilateral system and continue to undermine the effectiveness of this new institution. The debate scheduled to be held in the UN General Assembly on the “Responsibility to Protect” is therefore likely to offer the growing number of critics of the concept, which met with acceptance on the part of a large majority of countries in 2005, an opportunity to soften up the consensus.

### ***Climate and Energy***

It is likely to prove even more difficult to reach agreement in the highly complex climate talks

set to be held in Copenhagen, for what this conference has to distribute is above all burdens, without any prospects of short-term gains. Last year’s creation of the International Renewable Energy Agency (IRENA) has established a new institution in the energy sector with its traditionally weak governance structures. It seeks to complement the established organizations under suspicion of one-sidedness.

### ***Reform of the governance architecture***

Alongside these specific, substantive issues, the restructuring of the global governance architecture will continue to figure high on the agenda. Discussions about institutional reforms of the United Nations, the IMF, the World Bank and the WTO, especially with regards to the redistribution of voice and influence is in full swing. Even the debate about the Gordian knot, the UN Security Council reform, has re-emerged. Some approaches try to relocate competences of the Council to more representative forums, such as the Peacebuilding Commission or a potential World Economic Council. Other proposals aim directly at the adjustment of the Security Council to the changed geopolitical reality of the twenty-first century. As long as the Security Council reform is blocked, arguments triggered by the crisis of representativeness will be carried out in other forums, such as the UN Human Rights Council. The London G20 Summit determined to postpone a far-reaching reform of the IMF system of quota and voting rights in order to acknowledge the increased economic strength of emerging powers to January 2011. Accordingly, the reform of the World Bank’s representation was postponed to the Spring Meeting 2010.

Concrete results could materialize in the field of club governance in the course of the coming year. With Brazil, China, India, Mexico, and South Africa (later expanded by Egypt) in the Heiligendamm-Process started in 2007, the meeting of the world’s twenty largest economies at the Summit on Financial Markets and the World Economy in November 2008 may be seen as a further step toward enlarging the G8. The G20 summit in London passed a number of tangible initiatives and has thus dispelled some of the doubts raised against such a forum. In the face of the world economic crisis, the more heterogeneous G20 forum has proved itself capable of acting. Despite the regularly scheduled G8 meeting in Italy in June, and continued opposition of some G8 countries, the enlargement could already have taken place “through the back door”.

## 5 Options to Strengthen Global Governance

If they are to take advantage of the improved climate for global governance to launch reforms aimed at altering the established structures and the outcomes of global rounds of negotiations, the central actors involved will have to bring their ideas and conceptions into alignment

What this means in the medium term is that the Europeans in particular will have to take leave of their preferred model of a world order with a view to achieving as much global governance as possible. A global architecture keyed to comprehensive regional integration processes would appear unrealistic for the medium term. The regions in which integration processes are not making headway – South Asia, North Africa and the Middle East, or East Asia – will have to be integrated into the global architecture by other means. This is not to say that there is no need to continue to provide support for dynamic integration processes like those underway in West Africa and – to a lesser extent – Southeast Asia. However, the global architecture will, in the medium term, be more likely to build on a mix of regional governance and efforts to integrate individual major actors like China, India, Russia, Brazil, Mexico, and South Africa directly at the global level.

The Europeans would be well advised to give particular consideration to the sensitivities of many countries when it comes to ceding sovereign rights. It is an open question whether supranational structures patterned on the European Union would prove useful at the global level – the great majority of countries being unwilling to relinquish sovereign rights on that scale. Although this will necessarily lead to painful readjustments of many expectations, it must be seen as an alternative preferable to a situation marked by multilateral institutions in a state of permanent crisis. Global debates like the discussion on the concept of the responsibility to protect may serve as a catalyst in efforts to find a common denominator with advocates of a more traditional concept of sovereignty.

Furthermore, it would be essential to resolve the representation crisis on the basis of a reform of the existing system of multilateral structures. Here too the Europeans would have a key role to play. In view of their relative decline in importance, they should be prepared to accept adjustments to the role they play in multilateral institutions. One possibility here would be voting rights in the Bretton Woods Institutions. The

only alternative would be further marginalization of multilateral structures and a new dynamic for multipolar great power policies, a situation in which the EU would be at a distinct disadvantage in view of its logics of compromise and complex decision-making processes. In the long term the continued existence of an effective, rule-based global framework is thus in the interest of a supranational body like the EU. The Europeans should, together with the US, take the opportunity to reform global governance structures before the balance has tipped any further to their disadvantage. It will be of crucial importance to persuade the Obama Administration to commit to a “global governance realism” of this kind.

What is needed to overcome the effectiveness crisis is a new attempt to reform the internal structures of the multilateral institutions. As is shown by the meager outcome of the 2005 UN Millennium Summit, reform processes of this kind are virtually doomed to failure in a polarized international setting. In their rightly understood self-interest, the Europeans and Americans would be well advised to undertake whatever efforts they can to reform the established system of multilateral structures in order to facilitate a peaceful shift of power and to safeguard their influence in the long run. The rising powers, but also and above all the developing countries, likewise have an interest in contributing to a successful reform of the institutions of global governance. The emerging powers are best able to organize their rise in a stable environment that offers some protection from political pressures and, more importantly, cushions global and regional distortions, so enabling a focus on their own development. Nevertheless, in the course of the financial crisis, the new powers should also be aware that tackling global problems in a cooperative manner is in their own best interest and therefore, their multilateral engagement should be enhanced. The emerging powers will only be willing to assume more responsibility if their representation in the multilateral structures is increased. Developing countries stand to benefit from a rule-based regulatory framework and effective institutions in which they are better able to articulate their interests than they would ever be able to do in a multipolar concert of the great powers.

To ensure that it will be possible to deal effectively with global problems during the crisis, it would be important to build more representative, but at the same time effective club governance formats. The enlargement process of the various

forums should be continued. The G8 itself, for instance, lacks the weight it would need to tackle global problems on its own or against the resistance of other actors. The Heiligendamm process has created a foundation on which the coming G8 presidencies should complete work. Notably, the G20 summit in London has demonstrated the forum's ability to act in the face of the world economic crisis. And despite ongoing skepticism with regards to the effectiveness of such a heterogeneous group, the fear of some G8 members to lose influence in an extended forum as well as Indian and Chinese reservations to join such a club, the London summit might have established the G20 forum "through the back door". Remarkably, the heads of state intend to already meet again in this framework in the fall of 2009. But other club governance formats— the *6-Party Talks* on North Korea, the *P5 plus Germany* talks with Iran, the *Kosovo Contact Group* etc.— have likewise proven to be effective instruments. To address the imminent lack of representativeness, the inclusion of regional organizations or rotating regional seats in club governance formats could be a positive step. It must, though, be made perfectly clear that club governance should be used only in complement to the existing multilateral institutions in order not to undermine these institutions, with their broader legitimacy base. On the other hand, the present economic crisis has shown clearly that without such informal forums it would be more than difficult to achieve any concrete results in the slow-paced, or indeed gridlocked, multilateral institutions. What would therefore be advisable is a combination consisting of informal political coordination of a group of central actors engaged in a given policy field, followed by joint decisions taken in the framework of a set of reformed multilateral institutions – an approach that would go some way toward boosting the legitimacy of the decisions made and underlining their binding nature. How such a combination could look like – and what kind of suspicion it faces from non participating countries- shows the informal consultations of the "big" countries of the European Union.

## 6 Outlook

Warnings that, historically, shifts in the balance of global power have often led to conflict, or even war, should, in a situation marked by relatively good relations between the central actors of global politics, be read as a clear indication of how favorable the opportunity presently is to reach a cooperative balance of interests. In fact, a more positive attitude toward global governance appears to be emerging in key global players. All in all, the global climate thus would seem favorable for a reform of the existing multilateral structures, perhaps even for efforts to expand and reshape global governance. The central actors have yet to reach agreement on the shape a reformed governance architecture might be given. In order to overcome the crisis besetting the world's multilateral structures, the Europeans in particular would do well to pursue a set of more realistic concepts. While Beijing and Washington may, in the future, be somewhat more kindly disposed toward the idea of a global regulatory framework, they will, in the medium term, be unwilling to make any major concessions as far as their national sovereignty is concerned. What is first needed to be able to effectively tackle global problems like climate change, epidemics, state failure, and nuclear proliferation is a resolution of the representation crisis. Only in the spirit of fair compromise will it be possible to overcome the present state of polarization and to lay the foundation for political compromise on specific substantive issues.

*The author:*

*Marc Saxer is co-coordinator of the Friedrich Ebert Stiftung's Dialogue on Globalization program. He is head of desk for global security at the Department for Development Policy, in Berlin, where his work focuses on global governance as well as security-, climate-, and energy-related issues.*

More information is available on:  
[www.fes-globalization.org](http://www.fes-globalization.org)

---

The views expressed in this publication are not necessarily the ones of the Friedrich-Ebert-Stiftung or of the organization for which the author works.

Friedrich-Ebert-Stiftung  
Department for Development Policy  
- Dialogue on Globalization –  
Hiroshimastrasse 17  
10785 Berlin  
Germany  
Tel.: ++49 (0)30 26935-7404  
Fax: ++49 (0)30 26935-9246  
Mail: [globalization@fes.de](mailto:globalization@fes.de)  
[www.fes-globalization.org](http://www.fes-globalization.org)