Global Governance for a Global Age: The Role of Leaders in Breaking Global Deadlocks

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The financial crisis roiling the world is the result of serious shortcomings in domestic financial governance that have also highlighted gaps in the global governance of international finance and capital.

On any given day, mail is delivered across borders; people travel from one country to another via a variety of transport modes; goods and services are freighted across land, air, sea, and cyberspace; and a whole range of other cross-border activities take place in reasonable expectation of safety and security for the people, groups, firms and governments involved. Disruptions and threats are rare – indeed, in many instances rarer in the international domain than in some sovereign countries that should have effective and functioning governments. That is to say, international transactions are typically characterized by order, stability, and predictability.

Governance without Government

This immediately raises a puzzle. How is the world governed, even in the absence of a world government in order to produce these norms, codes of conduct, and regulatory, surveillance, and compliance instruments? The answer is global governance: the sum of laws, norms, policies, and institutions that define, constitute and mediate relations between citizens, society, market and public authorities – the wielders and objects of the exercise of public power.
Yet the “normal” periods of calm, stability, order, and predictability are interspersed with periodic bouts of market volatility, disorder, and crisis, on the one hand, and violent armed conflict in the peace and security domain, on the other. Both the Asian crisis of a decade ago and the current market collapse demonstrate the need for efficient, effective, and transparent regulatory and surveillance instruments and institutions. The immediate roots of the present crisis lie in the excessive and less than transparent leverage of complex securities and derivatives that introduced one degree of separation too many between the virtual and real economy. The US regulatory regime governing its financial and banking worlds can euphemistically be described as light, incomplete and fragmentary. Even the high priest of market capitalism, Alan Greenspan, the former Federal Reserve Chairman, has been moved to confess during recent Congressional hearings – “I made a mistake in presuming that the self-interests of organizations, specifically banks and others, were such that they were best capable of protecting their own shareholders and their equity in the firms” (quoted in Andrews, 2008).

That is, the causes of the crises lie in domestic governance imperfections and the solutions entail domestic government and market responses. One after another, led by Britain’s Prime Minister Gordon Brown, governments underwrote massive bailouts either by buying toxic debts and/or injecting capital into banks in order to stabilize financial markets and provide liquidity to keep credit lines open.

The role of global governance institutions is to contain the contagion. Only a new regulatory regime will reassure many countries that the balance has been restored between the risks and benefits of integrating with an open world economy.

The world is interdependent in areas as diverse as financial markets, trade, infectious diseases, climate change, terrorism, product safety, food supply and water tables. Our collective capacity to manage this interdependence through pooled or coordinated policy responses has fallen behind the rise in the numbers and intensity of the interactions among these interdependent sectors.

For any given global impasse, leaving aside differences and clashes of interests over the substance, to what extent do existing and alternative forums and mechanisms for conducting negotiations – the institutions of international governance – facilitate, impede or obstruct the ability to strike deals through a process of bargaining and accommodation?

The ideas in play include extending the existing G8 to include Brazil, China, India, Mexico, and South Africa to create a G13; adding an Islamic country to make it a G14; the Major Economies (16 states) initiative created in 2007 by President Bush, which added Australia, Indonesia and South Korea to the G13; and raising the G20 Finance Ministers to Leaders Level (CFGS, 2008a). And of course, the design of new institutions is not immune to political controversy – Senator Barack Obama’s platform proposes the G8 +
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G5 deal with climate change (Obama and Biden, 2008), while Senator John McCain supports establishing a much large (and less practical) League of Democracies (McCain, 2008).

Challenges of Global Governance

The challenge of global governance is manifold. The evolution of international institutions to facilitate cooperation and mute conflict lags behind the rise of collective problems with cross-border dimensions. The most pressing problems are global in scope and require global solutions, the policy authority and coercive capacity for mobilising the necessary resources for tackling them remains vested in states.

There is a disconnect between the distribution of authority in existing international institutions and the distribution of military and economic power in the real world.

There is a gap between legitimacy and efficiency. The UN’s unique legitimacy flows from its universality, which also makes it a terribly inefficient and frustrating body for making, implementing and enforcing collective decisions (Thakur, 2006). Conversely, the small size of the G7/8 forum was meant to facilitate easy and highly personalised decision-making but it renders outcomes deeply unrepresentative of population, economic, military and diplomatic power and influence, and therefore lacking both in legitimacy and effectiveness (Heap, 2008; Dobson, 2007).

During the Cold War, the main axis around which world affairs rotated was East-West. Since the end of the Cold War, this has morphed into the North-South axis. The poison of mutual mistrust rooted in the history of their encounter from opposite sides of the colonial divide and their differing
everyday realities today continue to infect some of the most critical items on the agenda of international public policy, from war, terrorism, and nuclear weapons to human rights, the protection of civilians across borders, free trade in agriculture, and climate change.

The Heiligendamm process (established at the 2007 G8 summit by German Chancellor Angela Merkel) has engaged the G5 (Brazil, China, India, Mexico, South Africa) countries in an officials’ level outreach dialogue on a number of substantive issues, including innovation, investment, development assistance and energy policy (Cooper and Antkiewicz, 2008). Extending through 2009, this process is facilitated at arms-length from the G8 by the Organisation for Economic Co-operation and Development (OECD) that boasts technical expertise and fills an important role. Despite this initiative, the “G5” have made clear their opposition to being invited to share coffee and dessert as guests at the high table. It is insulting and offensive to have the likes of President Hu Jintao and Prime Minister Manmohan Singh waiting in an anteroom until summoned by the G8 leaders to join them briefly (and inconclusively).

For the G8 and G5 to emerge as competing forums would be a tragedy. Instead they must be combined into one grouping that also includes at least one Islamic nation. No single forum can guarantee resolution of clashing interests, but an intimate yet representative group whose members get to know, understand and trust one another is more likely to succeed than either the G8 or the UN.

To borrow language from the climate change context, all countries have a “common but differentiated responsibility” for the stability of the global economic and financial systems. Countries like China and India have limited access to current global decision-making channels and sharing the responsibility for managing the global order. The idea that they will continue to integrate with the world order on terms and following norms set by the

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West is quaint and archaic, in particular when they are the US’s creditors. In order to be made responsible stakeholders in the management of the regime and the outcomes that come from it, they need ownership of the process. One way to promote the idea in the US is to characterize the Chinese and Indians as accepting the iconic US philosophy of “no taxation without representation.”

The short-term, emergency measures to deal with the current financial crisis have been accompanied by a growing recognition that the system to manage the modern world of banking, capital and finance has to be redesigned. The reality is that corporations, markets and financial flows are global. But the regulatory and surveillance systems are national or, in a few cases like Europe, regional. Moreover, as stated by US Treasury Secretary Henry Paulson, “If you look at the global financial architecture, I don’t think it reflects the global economy today” (quoted in Kaiser, 2008). Brown and other G7 leaders are calling for a major global meeting to redesign the world’s finance system and rewrite the rulebook of global capitalism. Brown argues for “the same sort of visionary internationalism” as at Bretton Woods in 1944 (Brown, 2008).

The Gap between Global Perils and Local Benefits

At present, the perils are global, the risks are socialized internationally, but the benefits remain privatized and are far from global. This is why we need cross-border supervision of financial institutions; shared global standards for accounting and regulation; and international institutions to provide early-warning systems for the world economy. Brown rightly warns that “if risks are globalized, then responsibilities have to be globalized as well” (quoted in Saunders, 2008).

None of the existing political or economic institutions – the International Monetary Fund (IMF), the G7 industrialized countries, or the G20 finance ministers – have proven up to the task of coordinating a response to a major global crisis. It is hard to imagine any significant global challenge that can be effectively addressed without involving, for example, all three Asian giants: China, India and Japan. Yet two of the three (India and Japan) are not permanent members of the UN Security Council, and two of the three (China and India) are not part of the G7 club. The IMF has shown more skill and determination at preaching to the developing countries what they should do than at persuading industrial countries to act together, while both it and the World Bank have governance structures severely skewed towards the interests of developed countries. A new architecture of global governance must bring together the existing G8 (G7 plus Russia) and the major emerging markets of Brazil, China, India, Mexico, South Africa, as well as at least Saudi Arabia and/or Indonesia.

CFGS-CIGI Partnership

Would this new architecture perform any better than the current one? Working behind the scenes since 2003, two Canadian institutions, the
Centre for Global Studies (CFGS) at the University of Victoria, and the Centre for International Governance Innovation (CIGI) in Waterloo, have led a “Track II” process to make the case for raising the G20 Finance Ministers group to Leaders level. This informal Chatham House Rule process involves a network of think tanks and serving and retired senior officials from around the world. It focuses on a central hypothesis – to deal effectively with world-scale problems in a globalized, post-unipolar world, the architecture of international relations requires leadership, in effect a steering group and agenda setting committee at leaders’ level. Some 30 “Track II” meetings have been held around the world over the last five years, to examine in detail the proposal for an expanded group of leaders as an international problem-solving mechanism (see Heap, 2008; L20.org, 2008; and Cooper et. al., 2005). The project concluded that a Leaders’ G20 would indeed be expected to perform better than the G8 – it could break global deadlocks where existing institutions and organizations have failed.

The CFGS-CIGI “Track II” work was based on several premises.

- Existing institutions and processes have proven incapable of breaking deadlocks on key global issues aside from financial crises, such as climate change, nuclear proliferation and nuclear disarmament.
- International institutions, processes and mechanisms are limited by their portfolio boundaries. Global problems are cross-sectoral (going beyond the substantive mandates of individual ministers or organizations) and long-term (going beyond the electoral mandate of most governments).
- Governments and government leaders have a unique and indispensable role to play in resolving critical global issues. In the right circumstances, leaders can transcend narrow national interests.
- The evolution of an existing informal intergovernmental process is more likely to occur than the comprehensive reform of existing formal organizations (such as the Security Council or the IMF) or the creation of new institutions.
- At summits, leaders do not solve complex problems themselves. Based on an intensive and inclusive preparatory process, they commit to act in their own countries, and they commit their ministers to act in concert with other countries’ counterparts. Leaders commission work and agree to work together in international organizations, and they agree to collaborate on specific global or regional challenges. Occasionally they create new entities.
- A leader-level forum based on expanding the existing G20 Finance Minister’s group could be the vehicle through which key global issues could be addressed and resolved.

A Leaders’ Summit communiqué can be an important priority and agenda setting document, laying out Leaders’ own commitments, and new mandates for international organizations (for example the Heiligendamm process remit to the OECD), commissioning work and action. The communiqué sometimes announces the creation of new international mechanisms, open to membership by other countries. The G8 Summit preparatory process includes multiple meetings during which “sherpas” (leaders’ personal rep-
resentatives) from each country refine problems being addressed and debate possible solutions. “Sherpas” produce a draft communiqué, which forms the basis for discussion and decision by heads of government.

Simulating the Leaders’ G20

What can be learned from the CFGS-CIGI project? Based on the above premises, a type of simulation exercise was designed to provide definitive “proof of concept” to the “Leaders’ G20” approach, involving former and serving government officials together with subject matter experts, from G20 countries in a process, modelled after the summit preparatory process supporting the G8. The “simulation” demonstrated that a process that was both inclusive and well prepared could develop a consensus-based, pragmatic solution to the global climate change deadlock.

Background material was provided including papers suggesting a framework and building blocks from different sectors for a “grand bargain” package deal (CFGS-CIGI, 2008c). The group explored the requisite process characteristics (process is substance), and the criteria and structure for constructing a global “package deal.” The hosts produced a draft “non chair non text” outlining an inventory of potential elements for the grand bargain package. Three meetings were organized to iteratively narrow down the elements for a practicable grand bargain package. The agendas replicated the proceedings at a summit sherpa meeting where background materials and various “national interest” position papers are the basis for debating options for inclusion on a summit agenda.

The major lesson was that a package deal could be constructed that included several elements – a process regarding targets, and commitments or remits in the fields of R&D, promotion of efficiency standards, intellectual property, adaptation, reforestation and coordination of national fiscal and regulatory approaches. Such a package deal, however, with so many different building blocks, could only be produced by leaders.

The second lesson concerns the mistaken allure of “variable geometry.” Imagine the hard feelings generated by marching various leaders in and out for various parts of the meeting depending on the subject being discussed. The Hokkaido G8 Summit was an exercise in variable geometry. Configurations involved the G8, the G8+G5 (Brazil, China, India, Mexico and South Africa), the16 major emitting economies, and the African guests. Variable geometry is a recipe for dissonance and non-cooperation. The premium should be on repeated pre-summit consultations and post-summit reporting. There are other means for effective participation besides being at the table.

Composition of an influential, high-level group is very contentious. There are no logical criteria. Should the poorest be included? Should it be comprised of regional groupings? Is Africa underrepresented in the G20 – Nigeria is not included. President Jacques Chirac promoted Algeria’s candidacy – preferring another Francophone country. Should the smallest be represented? The landlocked? In effect anyone excluded will be irritated. The challenge
is to devise a grouping that maximizes both legitimacy and effectiveness. Size is contentious. The larger the group, the more legitimate; however, the larger the group, the less likely it will be effective. Twenty is a large number, given the need for informal give and take, and given the practical barriers to communication across languages and cultures. The larger the group, the lesser the number of significant countries that feel unfairly barred from the table. The advantage of a leaders’-level G20 is that it emerges from an existing group.

The symbolism of a summit of 20 holds some considerable appeal. The initiative does not have the look of the “coalitions of the willing” put together on an ad hoc basis. Nor does it have diplomatic connotations associated with established institutions (an exclusive membership and/or veto power). The focus on leaders networking could generate spill-over into a wide number of subsidiary and interconnected networks. In the past, endorsements of the concept have come from groups as diverse as the World Economic Forum, the Helsinki Process on Globalization and Democracy, and the UN High Level Panel on Threats, Challenges and Change (see CFGS, 2008b).

“The Fierce Urgency of Now”

The Leaders G20 has now taken on unmistakable reality. The idea has finally emerged from chrysalis in President George W. Bush’s October 22, 2008, announcement convening leaders from the G20 countries, along with the heads of the United Nations, the World Bank and the IMF, to the first of a series of meetings in Washington DC on November 15. The White House has stated that the two Presidential candidates support the idea, and the expectation is that the November meeting will be the first of several. The focus of the initial meeting will be reform of the international financial system.

Once the Leaders’ G20 is functioning, success in one issue will lead to reconvening on the next global crisis. The project’s original assumption was that the first meeting of a leader’s G20 would be to respond to some specific crisis. Leaders would agree to meet again and would add items to the agenda. That is likely to come out of the November 15 meeting. The obvious second subject next year with a new US President is the impending failure of climate change negotiations. Other possibilities include increasing instability in Afghanistan and Pakistan, or restarting the Doha trade round.

To develop practical solutions to real-life problems, the number of people at the decision-making table must be restricted to a number that permits a meaningful informal conversation to occur. But concerns have repeatedly been expressed about the potentially “undemocratic” characteristics of any “exclusive” format. To increase the effectiveness, accountability, inclusivity and credibility of decisions, Leaders Summits must provide for more effective articulation of information and positions from the international civil society, business and policy research communities, as well as excluded countries. Success requires devising processes to engage civil society, ensure corporate input, and provide consistent and relevant intellectual staff support to input to the expanded summit process.
The final global governance disconnect arises from the concentration of decision-making authority in governments and intergovernmental organizations, and the diffusion and dispersal of policy-influencing actors across all sectors of modern society. Civil society and business have a long history of engagement with international governance processes and institutions, but the policy research community does not. The CFGS-CIGI project addressed the question of how best to ensure that a G20 leaders’ group receives credible, consistent intellectual support (apart, of course, from the briefings that leaders receive from their own government officials). Accordingly, the third lesson of the project was the successful test of the hypothesis that that a network of think tanks and policy researchers with cutting edge capacity would be welcomed by officials or working groups preparing international meetings. As a working model, the CFGS-CIGI network was unique in that we reached out to researchers in international civil society organizations, international business associations and universities, as well as international affairs specialists in think tanks.

Most recently, CFGS and CIGI organized four successful Chatham House rule consultations in 2008 – with the Japanese G8 chief climate change negotiator (see CFGS-CIGI, 2008a); with the OECD Secretariat experts on climate change preparing for a meeting with OECD governments on the Economics of Climate Change (see CFGS-CIGI, 2008d); with the Mexican Foreign Ministry officials coordinating the G5 (see CFGS-CIGI, 2008b); and with the Italian G8 team preparing the 2009 G8 Summit (see CFGS-CIGI, 2008e). Current plans are for Chatham House rule consultations in 2009 in Beijing and New Delhi (on Chinese and Indian ideas on the evolution of global governance architecture); at the OECD (on ideas on current global deadlocks from officials and researchers from non G20 countries); and in Toronto (preparing for Canada’s chairing of the 2010 G8 Summit). Future sessions are planned with the senior management of international organizations and officials from countries holding the summit presidencies to provide off-the-record consultations and advice from a global roster of policy researchers.

From Prescription to Action

At the end of the day, the CFGS-CIGI project is the background preparation that documents the need for and the feasibility and possible shape of a new world order. The task of actually redesigning the existing framework of international order of course falls on the world’s major leaders. This is the point that Prime Minister Brown has made: the challenge of intellectual and political leadership that marries a noble vision for the future to the hard – not to say harsh – economic and political realities of today. The noted philosopher of science Thomas Kuhn pointed out that science proceeds in revolutionary steps. As the number and seriousness of empirical events that cannot be accounted for within the existing dominant theoretical paradigm grow, so the search intensifies for a new paradigm that can explain the
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growing range of observable phenomena.

We are at an analogous stage in global governance. The existing institutions and arrangements can no longer cope with the growing number, range and gravity of the major global problems. Domestically, because everything is interconnected – think climate change – the leading role has to be taken by heads of governments, not individual cabinet ministers. Internationally, the accumulating anomalies need to be addressed urgently and collectively. The global financial crisis is an opportunity to replace antiquated, creaking and not-up-to-the-task institutions with more efficient, effective and credible mechanisms and forums.

Leadership consists of outlining a bold vision for the community as a whole and then inspiring individuals and groups to transcend their immediate self-interest in identifying both intellectually and emotionally with the shared vision. It calls for the capacity to set standards of conduct and benchmarks of progress, explain why these matter, and coax everyone into striving for and achieving these standards and goals.

The dramatic challenges during and at the end of the Second World War produced a generation of statesmen who rose to the occasion for designing new institutions that have served their purpose well but have also been overtaken by new circumstances. We need leaders who can rise to the challenges of the 21st century. An urgent first step is to redesign the architecture of global governance, from peace and security to development and finance, environmental protection and resource conservation, and human rights and humanitarian protection.
Endnote

1 The L20 was originally suggested by Paul Martin, former chair of the G20 Finance Ministers (Martin, 2007; Martin, 2005).

Works Cited


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The Centre for Global Studies was created in 1998 with a mandate to conduct collaborative, policy-oriented inquiry into the impacts of globalization on a broad spectrum of inter-related issues encompassing international governance and finance, the environment, security, and sustainable development. Building on the university’s existing base of interdisciplinary expertise, the Centre provides a vehicle for bridging scholarship with the needs of policymakers for concise and accessible analysis in response to the pressing challenges of global change.

Since its formation, the CFGS has evolved rapidly to establish an extensive program of international research and development assistance activity. Through its innovative “centre of centres” model, the CFGS provides infrastructure and administrative support to a diverse group of associates, who operate within the following six core activities:

- Division of Globalization and Governance
- Division of Technology and International Development
- Institute for Child Rights and Development
- International Women’s Rights Project
- Iraqi Marshlands Project
- Pacific Climate Impacts Consortium

Common themes that unify the research work of associates at the Centre include an engagement with action-oriented approaches to democratic reform and capacity building, and an overriding commitment to the advancement of human and environmental security objectives. The Centre is also concerned with issues of state security, an interest it pursues through participation in a variety of global and multilateral initiatives aimed at addressing the root causes of conflict and arms proliferation.

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Le CIGI a été fondé en 2002 par Jim Balsillie, co-chef de la direction de RIM (Research In Motion). Il collabore avec de nombreux partenaires stratégiques et exprime sa reconnaissance du soutien reçu de ceux-ci, notamment de l’appui reçu du gouvernement du Canada et de celui du gouvernement de l’Ontario. Le CIGI exprime sa reconnaissance envers le gouvernement du Canada pour sa contribution à son Fonds de dotation.

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