

## Chapter 2

### Underlying Assumptions

The issues which CFGS and CIGI undertook to examine at Paul Martin's behest fall comfortably within the ambit of James Rosenau's conception of global governance.<sup>1</sup> In particular, they concern the quintessentially political dynamic which animates the newly uncertain border between domestic and foreign affairs.

"Newly uncertain" may of course be something of a misnomer, since it implies that the phenomenon known generally as globalization reflects an unprecedented situation. As many historians might point out, the "first globalization" began in the nineteenth century, with the colonial empires of Europe (and later the United States) at its centre and the industrial revolution of steel and steam as its engine. This historical caveat duly noted, however, it can probably be asserted that the current degree of mutual interpenetration of national economies, technologies, cultures and politics is unparalleled.

Within this context, the CFGS/CIGI project has been informed by a pair of underlying assumptions which should be unpacked a bit before describing the project's early days.

### Gaps in the Institutional Architecture

A recurring theme of project organizers and participants was the inability of existing international institutions to manage critical global challenges. Whether the organization was long established (such as the International Monetary Fund, the World Bank, the United Nations and its various specialized agencies) or of more recent vintage (such as the World Trade Organization, the G-8 and the regional trade groupings), none seemed able to meet the demand for a fairer form of globalization in which more countries and peoples shared in the benefits.

Among the weaknesses of international organizations noted by participants early in the process were: a lack of democracy; a tendency to spawn a proliferation of entities, agencies and initiatives; an inadequate integration of effort through a linking body such as the UN; and a failure to address the concerns and aspirations of the global South or to tackle seriously issues of poverty. To this list of sins could be added a rigidity of disciplinary focus coupled with an apparent inability to deal with cross-cutting issues, and a tendency to make decisions slowly and behind closed doors. This last characteristic is especially damaging since it erodes

public support, at least in developed countries with traditions of transparency and accountability in government.

Not only did existing organizations have a questionable record in terms of efficiency and effectiveness, their mandates were ill-suited to current, rapidly changing conditions. Longstanding deadlocks in areas such as trade in agricultural products or the proliferation of weapons of mass destruction went unresolved, while new issues such as managing climate change or the spread of infectious disease stubbornly refused to be shoe-horned into existing organizational boxes.

In addressing this dilemma in their paper, *Making change happen at the global level*, drafted for the project's first organizational meeting in October 2003 in Waterloo, Canada, conference organizers Gordon Smith and Barry Carin canvassed four potential routes to institutional transformation.<sup>2</sup>

- First, organizations could undertake internally generated reform on a voluntary basis.
- Second, sustained external pressure could result in organizations being re-shaped, in effect against their will.
- Third, existing organizations could be ignored and new, more representative, relevant and effective bodies established.
- Fourth, an existing group already characterized by informality and lack of permanent structure could be adapted to meet current needs.

After reviewing the track record of both the G-8 Leaders and the G-20 Finance Ministers groups, Smith and Carin concluded that an adaptation along the lines of Martin's L-20 proposal was the most practical alternative, i.e. the fourth option. This was the starting point for discussion throughout the project. The question arises whether this view that the existing international architecture was substantially broken reflects a generally accepted diagnosis or whether the project participants represent a self-selected group who brought a preconceived agenda to the table.

Certainly, the managers of the major international organizations themselves have recognized the need for change, albeit to varying degrees. The former Secretary General of the United Nations, Kofi Annan, repeatedly sought and promoted reforms to the UN system but, in the absence of a workable consensus among UN members, little action seems likely in the immediate future. The UN's World Summit failed in September 2005 to agree to the fundamental step of changing the membership of the Security Council to make it more representative, and expressed concern about how badly the UN Secretariat operated. In response, in March 2006, the Secretary General issued a report admitting to many shortcomings:

...my assessment is – if I may put it bluntly in one sentence – that in many respects our present regulations and rules do not respond to current needs: and indeed that they make it very hard for the Organization to conduct its work efficiently or effectively.<sup>3</sup>

At the same time, Mr. Annan effectively took the UN members to task for refusing to resource the organization to meet the demands of the mandates which Member States have imposed on it. Furthermore, he accused some States of

unduly interfering in UN operations and misunderstanding the respective roles of the membership and the management of the organization. Still, in the wake of the debacle of the “oil-for-food” program, the Secretary General was ill placed to be making calls for restoration of “trust and partnership”.

If the Secretary General needed further confirmation of the need for reform of the UN system, he received it at the end of 2006 in the report of the High-level Panel on UN System-wide Coherence in the areas of Development, Humanitarian Assistance and the Environment. The Panel, led by three Prime Ministers, found that the UN’s efforts were well-meaning but incoherent, and that the system needed to learn to “deliver as one”. As the Report’s Executive Summary bleakly expressed it:

...without ambitious and far-reaching reforms the United Nations will be unable to deliver on its promises and maintain its legitimate position at the heart of the multilateral system. Despite its unique legitimacy, including the universality of its membership, the UN’s status as a central actor in the multilateral system is undermined by lack of focus on results, thereby failing, more than anyone else, the poorest and most vulnerable.<sup>4</sup>

At the other end of the *mea culpa* scale lies the International Monetary Fund (IMF). The IMF has recognized the need for changes to meet “the challenges of globalization”, but its Managing Director, Rodrigo de Rato, is much more inclined to incremental improvements than some of his sterner critics, who include Mervyn King, the Governor of the Bank of England, and David Dodge, the Governor of the Bank of Canada. Dodge’s “ideal IMF” –

...would have a sharper focus and a more international aspect to its surveillance, with clear rules governing a greatly reduced lending role. It would also be more representative than the current IMF, and would have an overhauled governance structure.<sup>5</sup>

In his March 2006 speech, Dodge pointed to a more fundamental issue, which confirms the unease of L-20 project participants about the current state of international institutions. He noted the case which Raghuram Rajan, the Director of the IMF’s Research Department, has made that the “spirit of internationalism” is in full retreat. Rajan emphasizes that the Bretton Woods delegates were able to see how their own country’s interest was clearly wrapped up in a collective interest, and that this sense of shared venture is ebbing. He adds – “...even as the linkages among economies grow, the places where dialogue among nations can reasonably take place are diminishing”.<sup>6</sup>

At the time of Dodge’s speech, Managing Director de Rato was content to characterize the criticism from Canada and others as “exaggerated”.<sup>7</sup> Subsequently, however, pressure continued to mount from inside and outside the Fund to deal more definitively with a fundamental governance issue – the allocation of decision-making within the institution as determined by the distribution of members’ quotas. Although the September 2006 IMF Governors’ meeting in Singapore approved a resolution authorizing small increases for four members’ quotas and a timetable for additional reform, this outcome was widely seen as timid. The question remains whether the IMF will move rapidly enough to retain credibility. In the words of a recent proposal for change:

A realignment of voting shares is central to preserving support of the Fund by all of its members and thereby to the Fund's relevance and legitimacy in promoting global growth and economic and financial stability.<sup>8</sup>

Perhaps the person best situated to judge the extent to which the will to engage in constructive dialogue leading to substantive outcomes has weakened is the Director General of the World Trade Organization (WTO), Pascal Lamy. Lamy is presiding over the Doha Round of international trade negotiations. This latest Round began in 2001 and faces a practical deadline of mid-2007, because the American President's "fast track" authority (i.e. the ability to submit a trade agreement to Congress for a straight up or down vote without amendment) expires then. The Doha Round has limped along, missing self-imposed deadline after self-imposed deadline. In the end, the only option, short of complete failure of the Round, may be for Congress to authorize an extension of the President's negotiating authority. This will be a non-trivial exercise, given the combination of a lame-duck President and a Democratic majority in Congress with concerns about the impact of existing trade agreements on US workers.

Lamy is clear about the three areas where movement is critical so the rest of the items under negotiation can be constructively addressed: the European Union must reduce the level of agricultural tariffs; the United States must reduce agricultural subsidies; and the group of key developing countries (also somewhat confusingly known as the G-20) must reduce industrial tariffs. Lamy is also clear in his view of who will suffer if the trade round fails – developing countries, and ultimately the WTO itself.<sup>9</sup>

The impact of a failed Doha Round on poorer countries was a major concern for Paul Wolfowitz, the former Bush aide subsequently appointed President of the World Bank. In his view, the existing trading system was itself one of the biggest obstacles to fighting poverty and improving living standards in developing countries.<sup>10</sup> Wolfowitz had a major task of his own, to rebuild the credibility of the World Bank itself. After an initial focus on rooting out corruption, he responded positively to a review committee's recommendation that IMF/World Bank cooperation be improved, and he added the Bank to the lengthening list of organizations pledged to support a transition to a low-carbon economy.<sup>11</sup> The re-imagining of the World Bank's mandate remains a work in progress, however (and this effort will not be led by Mr. Wolfowitz, who resigned at the end of June, 2007).

It could be argued that any large multilateral organization is, or should be, in a more or less constant state of adjustment as rapidly shifting international conditions warrant. There seems little doubt, however, that mid-way through 2007, both the leadership of the key international institutions and informed outside observers agree that developments associated with globalization have outstripped the ability of those organizations to adapt effectively and remake their mandates so as to meet these new challenges.

## What Do Leaders Do Anyway?

A second major underlying assumption associated with the project concerns the role of the government leaders themselves. The assumption is that in the sphere of international relations national leaders can accomplish what nobody else can. Moreover, this line of argument suggests that leaders not only have the capacity to act, but the will to do so.

The early Smith/Carin paper took some time to demonstrate that leaders were both important and effective. They reviewed the record of the G-7/8 and found it good. They pointed to the constructive part leaders played in some unlikely international enterprises such as the establishment of a common European currency and the ASEAN group of nations. They stressed the ways in which leaders were able to address complex issues and make common cause to break deadlocks. Noting the blurring of lines between international and domestic policies, they emphasized leaders' capacity to mobilize political muscle and commit political capital to complicated packages freighted with domestic dangers. Only leaders could crush sectoral "siloes" and drive solutions reflecting national interests as a whole. Only leaders could make the necessary "grand political bargains".<sup>12</sup>

The pivotal role of leaders was established at the beginning of the project and never really challenged – which is not to say that there were not some reservations voiced. Project participants pointed to the problems of continuity caused by turnover. Electorates might intervene awkwardly to remove leaders from the table at odd times. It was suggested that leaders might often choose to allow domestic pressures to trump international progress and, indeed, that on occasion leaders had been known to use international negotiations as an opportunity to prove their steadfastness in the face of the dreaded foreigner. Certainly, few leaders would have much incentive in engaging in an international activity which might give their domestic opponents a chance to charge them with incompetence in the event of failure. In addition, there was no guarantee that leaders, especially in a group larger and less homogeneous than the original G-7, would have sufficient in common to be able to reach mutual understanding. Finally, the spectre of summit fatigue was evoked, especially if the business of a summit was more ceremonial than substantive.<sup>13</sup>

Perhaps the most interesting points raised early in the project (and repeated throughout) concerned the presumed personal characteristics of national leaders. On the one hand, there was the view that leaders were ordinary, well-intentioned folks who, if left alone by bureaucrats and interest groups, could have rational conversations and reach amicable agreements.<sup>14</sup> Paul Martin voiced this in a November 2001 interview in which he stressed the usefulness of informality and personal contact – the opportunity "to argue back and forth across the table".<sup>15</sup> In an August 2006 interview, he elaborated by noting that within a small group of leaders, peer pressure to achieve a positive result could only work if the participants knew each other very well.<sup>16</sup>

On the other hand, some participants maintained virtually the opposite – that leaders are different, and certainly *not* just like ordinary people. One element of

this “differentness” was an apparent willingness to embrace risks (at least on those occasions when leaders wanted to do the right thing). Martin captured this aspect at a February 2004 meeting with project participants when he emphasized the importance of leadership qualities and, in particular, the willingness of leaders to take risks and make leaps of faith. Participants suggested leaders were “different” because they were more conscious of their places in history and because they were more likely than mere Ministers to live up to their promises (admittedly under peer pressure from fellow leaders).<sup>17</sup> Closely related, but less reliant on personal qualities than on the structural realities of government, were the views that leaders were both better placed and more inclined to follow through on commitments in the longer term, and better equipped intellectually to address complex “cross-cutting” problems.

How to reconcile the picture of the leader as the “ordinary Joe (or Josephine)” as opposed to the leader as the supremely talented embodiment of international virtue? The answer may lie in the nature of many of the project’s participants, a significant number of whom have had direct experience in government. Whether as a politician (in the case of Martin and others) or as a senior official responsible for preparing for and following up from summits, these individuals had seen leaders succeed in circumstances where others had failed – not on every occasion to be sure, but sufficiently frequently to make the personal interventions of leaders a rational choice for meeting critical global challenges or resolving serious international disputes.

The “great man” theory may no longer be fashionable in academic circles as an explanation for change, but clearly for practitioners, the everyday workings of intergovernmental relations require a central role for the leader of governments in order to function productively. As a building block in the re-furbishing of the international architecture, mobilization of the collective political will of government leaders is a necessary, if not sufficient, condition precedent.

## Endnotes

<sup>1</sup> See Rosenau’s Introduction in James N. Rosenau, Ernst-Otto Czempiel (eds) *Governance without Government: Order and Change in World Politics*. Cambridge University Press, NY, 1992, pp. 1–29, and his definition in James N. Rosenau, *Governance in the Twenty-first Century*. *Global Governance* 1:1, 1995, pp. 13–14 – “global governance refers to more than the formal institutions and organizations through which the management of international affairs is or is not sustained .... It is conceived to include systems of rule at all levels of human activity – from the family to the international organization – in which the pursuit of goals through the exercise of control has transnational repercussions.”

<sup>2</sup> Barry Carin, Gordon Smith, *Making Change Happen at the Global Level*. L-20 project paper, 2003, <http://www.l20.org/publications.html>, pp. 4–6.

<sup>3</sup> Kofi Annan, Statement of the Secretary-General to the General Assembly, March 7, 2006, p. 1. Retrieved May 2, 2006 from <http://www.un.org/reform/sgspeech.pdf>.

- <sup>4</sup> Delivering as One, Report of the Secretary-General's High-Level Panel on UN System-wide Coherence in the Areas of Development, Humanitarian Assistance, and the Environment, p. 1. Retrieved February 28, 2007 from <http://www.un.org/events/panel/resources/pdfs/HLP-SWC-FinalReport.pdf>.
- <sup>5</sup> Lecture by David Dodge, Governor of the Bank of Canada, to the Woodrow Wilson School of Public and International Affairs, Princeton, NJ, March 30, 2006, p. 7. Retrieved May 3, 2006 from <http://www.bankofcanada.ca/en/speeches/2006/sp06-6.html>.
- <sup>6</sup> Raghuram Rajam, The Ebbing Spirit of Internationalism and the International Monetary Fund: the 2006 Krasnoff Lecture, March 8, 2006, p. 4. Retrieved May 3, 2006 from <http://www.imf.org/external/np/speeches/2006/030806.htm>.
- <sup>7</sup> As reported in the Globe and Mail, Canada emerges as IMF reformer, April 20, 2006. Retrieved May 3, 2006 from <http://theglobeandmail.com>. See also de Rato's speech to the Institute for International Economics, April 20, 2006, in which he lists proposals for reforming the IMF. Retrieved May 3, 2006 from <http://www.imf.org/external/np/speeches/042006.htm>.
- <sup>8</sup> RN Cooper, EM Truman, The IMF Quota Formula: Linchpin of Fund Reform. Policy Briefs in International Economics, February, 2007, Peter G. Peterson Institute for International Economics, p. 1. This article provides a useful summary of the background to the IMF quota issues, as well as some practical recommendations. Retrieved February 28, 2007 from <http://www.petersoninstitute.org/publications/pb/pb07-11.pdf>.
- <sup>9</sup> Pascal Lamy, "The WTO and the Doha Round: The Way Forward", April 6, 2006, p. 9. Retrieved May 5, 2006 from [http://www.wto.org/english/new\\_s/sppl\\_e/sppl23\\_e.htm](http://www.wto.org/english/new_s/sppl_e/sppl23_e.htm). As of spring 2007, prospects for a successful Doha Round were negligible.
- <sup>10</sup> See Wolfowitz's remarks to the press on April 20, 2006. Retrieved May 5, 2006 from <http://web.worldbank.org>.
- <sup>11</sup> See the joint IMF/World Bank press release dated February 27, 2007, welcoming the External Review Committee's report (retrieved March 1, 2007 from <http://www.imf.org/external/np/sec/pr/2007/pr0732.htm>) and Mr. Wolfowitz's February 14, 2007 speech to the Washington Legislators Forum on Climate Change (retrieved March 1, 2007 from <http://www.worldbank.org/WBSITE/EXTERNAL/NEWS>).
- <sup>12</sup> Carin and Smith, *op cit.*, pp. 12–16, 19–20.
- <sup>13</sup> Waterloo, p. 3; Bellagio, p. 2; Ottawa I, p. 21. The records of the various meetings and workshops in the L-20 project will be referred to or quoted from throughout this text. For ease of reference, these reports have been listed in Appendix A, each with a short-form identifier based on the location of the meeting. Citations refer to these identifiers, e.g. "Bellagio, p. 3". The full text of all meeting reports can be found at <http://www.l20.org/publications.html>.
- <sup>14</sup> Of course, more often than not, those officials will have taken an issue as far as they could, before passing it on for resolution to the politicians.
- <sup>15</sup> Carin and Smith, *op cit.*, footnote 9.
- <sup>16</sup> Paul Martin personal interview, August 30, 2006.
- <sup>17</sup> Ottawa I, pp. 16, 22, 24.



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