

# *Our Global Neighbourhood*

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## **Co- Chairmen's Foreword**

*And For These Ends... to practice tolerance and live together in peace with one another as good neighbours...* --Charter of the United Nations

The Charter of the United Nations was written while the world was still engulfed in war. Face to face with untold sorrow, world leaders were determined never to let it happen again. Affirming their faith in the dignity and worth of the human person, they set their minds on the advancement of all peoples. Their vision produced the world's most important political document.

Half a century has passed since the Charter was signed in San Francisco. There has been no world war in that time, but humanity has seen much violence, suffering, and injustice. There remain dangers that could threaten civilization and, indeed, the future of humankind.

But our dominant feeling is of hope. We believe the most notable feature of the past fifty years has been the emancipation and empowerment of people. People today have more power to shape their future than ever before, and that could make all the difference.

At the same time, nation- states find themselves less able to deal with the array of issues--some old, some new--that face them. States and their people, wishing to control their destinies, find they can do so only by working together with others. They must secure their future through commitment to common responsibility and shared effort.

The need to work together also guided the visionary men and women who drew up the Charter of the United Nations. What is new today is that the interdependence of nations is wider and deeper. What is also new is the role of people and the shift of focus from states to people. An aspect of this change is the growth of international civil society.

These changes call for reforms in the modes of international co- operation--the institutions and processes of global governance.

The international system that the UN Charter put in place needs to be renewed. The flaws and inadequacies of existing institutions have to be overcome. There is a need to weave a tighter fabric of international norms, expanding the rule of law world- wide and enabling citizens to exert their democratic influence on global processes.

We also believe the world's arrangements for the conduct of its affairs must be underpinned by certain common values. Ultimately, no organization will work and no law upheld unless they rest on a foundation made strong by shared values. These values must be informed by a sense of common responsibility for both present and future generations.

It was Willy Brandt who brought the two of us together as co- chairmen of the Commission on Global Governance.

Both of us had worked with him in the past, in various roles. And we knew him as a man who personified political courage allied to political vision, perhaps better than anyone else.

Twice, Willy Brandt made important personal contributions that changed the course of events. His 'ostpolitik' paved the way for the peaceful resolution of the cold war. His attention to global interdependence, and his initiatives to change the dynamics of North-South relations, gave the world a vision of greater peace and justice.

In 1989, when the Berlin Wall had fallen and events in Moscow signalled the end of the cold war, Willy Brandt clearly sensed that we were on the edge of a new time. He invited to a meeting in Königswinter in Germany the members of his own Commission, on international development issues, together with some who had served on other Commissions--Olof Palme's on disarmament and security, Gro Harlem Brundtland's on environment and development, Julius Nyerere's South Commission.

That meeting in Königswinter started a process of looking at the future of the world in a more integral way, in which the two of us participated, together with Jan Pronk. This work led, in 1991, to a meeting in Sweden and the presentation there of a document entitled 'Common Responsibility in the 1990s: The Stockholm Initiative on Global Security and Governance'. That document and its proposals were endorsed by many world leaders (their names are listed in the annex to this report). As a sequel to the Stockholm Initiative, Willy Brandt consulted Gro Harlem Brundtland and Julius Nyerere, and then invited the two of us to co- chair a Commission on Global Governance.

One of those who supported the Stockholm Initiative in 1991 was Dr. Boutros Boutros-Ghali. Soon after he had been appointed Secretary- General of the United Nations in early 1992, we met him in Geneva and explained the idea for a Commission. He gave it his full endorsement.

After that, we began to approach the twenty- six men and women whom we wanted to join us as members of the Commission. They needed no persuasion; the service we invited them to share with us was of a kind they wished to give.

The members of the Commission have all served in their personal capacities, and they are from many backgrounds and orientations. Yet, over the last two years together, we have been united by one single desire: to develop a common vision of the way forward for the world in making the transition from the cold war and in managing humanity's journey into the twenty- first century. We believe this report offers such a vision.

Each member of the Commission would have chosen different words if he or she were writing this report alone. Everyone might not have fully embraced each and every proposal; but we all agreed on the overall substance and direction of the report. The strongest message we can convey is that humanity can agree on a better way to manage its affairs and give hope to present and future generations.

The development of global governance is part of the evolution of human efforts to organize life on the planet, and that process will always be going on. Our work is no more than a transit stop on that journey. We do not presume to offer a blueprint for all time. But we are convinced that it is time for the world to move on from the designs evolved over the centuries and given new form in the establishment of the United Nations nearly fifty years ago. We are in a time that demands freshness and innovation in global governance.

As this report makes clear, global governance is not global government. No misunderstanding should arise from the similarity of the terms. We are not proposing movement towards world government, for were we to travel in that direction we could find ourselves in an even less democratic world than we have--one more accommodating to power, more hospitable to hegemonic ambition, and more reinforcing of the roles of states and governments rather than the rights of people.

This is not to say that the goal should be a world without systems or rules. Far from it. A chaotic world would pose equal or even greater danger. The challenge is to strike the balance in such a way that the management of global affairs is responsive to the interests of all people in a sustainable future, that it is guided by basic human values, and that it makes global organization conform to the reality of global diversity.

This report deals with how the world has been transformed since 1945, making changes necessary in our governance arrangements. We make many recommendations, some quite radical, for promoting security in its widest sense, including the security of people and of the planet. We make recommendations for managing economic interdependence, and for reforming the United Nations in ways that also offer a larger role to people through the organizations of international civil society. And we address the need for extending on the global stage the rule of law that has been so great a civilizing influence in national societies.

We conclude by urging the international community to mark the fiftieth anniversary of the United Nations by beginning a determined process of rethinking and reform. That process could draw on a wide range of ideas that the commemoration itself will prompt, including those advanced in this report. This is a time for the international community

to be bold, to explore new ideas, to develop new visions, and to demonstrate commitment to values in devising new governance arrangements.

In the final chapter of this report, we draw attention to what has been a pre- eminent strand in the thinking of the Commission: the world's need for enlightened leadership that can inspire people to acknowledge their responsibilities to each other, and to future generations. It has to be leadership that upholds the values we need to live together as neighbours, and to preserve the neighbourhood for those who follow us.

Many pressures bear on political leaders, as they seek both to be effective and to retain support at the national level. Notwithstanding the drawbacks of nationalism, however, the history of even this century encourages us to believe that from the very best of national leaders can come the very best of internationalism. Today, a sense of internationalism has become a necessary ingredient of sound national policies. No nation can make progress heedless of insecurity and deprivation elsewhere. We have to share a global neighbourhood and strengthen it, so that it offers the promise of a good life to all our neighbours.

The Commission is grateful to those governments and foundations that have given financial and other support for its work, and to the many organizations and individuals who assisted it in innumerable ways. They are listed in the annex on the work of the Commission. The members of the Commission were greatly encouraged that so many groups and individuals attached importance to its work and were willing to identify with it and contribute to it in practical ways.

The responsibility for the report is, of course, the Commission's alone. We are mindful that it is not all- encompassing; we did not set out to make it so. It is neither a work of academic research nor a handbook on world affairs. It is primarily a call to action, based on the Commission's assessment of where the world stands and of what needs to be done to improve the way our human community manages its affairs.

As the Commission's Co- chairmen, we want to express our special gratitude to our colleagues for their help and support, and at times their forbearance, as the Commission worked its way through a formidable agenda. We are similarly grateful to Hans Dahlgren, the Secretary- General of the Commission, to the members of his small Secretariat team, and to the staff of our offices for their support throughout our work.

Time is not on the side of indecision. Important choices must be made now, because we are at the threshold of a new era. That newness is self- evident; people everywhere know it, as do governments, though not all admit to it. We can, for example, go forward to a new era of security that responds to law and collective will and common responsibility by placing the security of people and of the planet at the centre. Or we can go backwards to the spirit and methods of what one of our members described as the 'sheriff's posse'--dressed up to masquerade as global action.

There should be no question of which way we go. But the right way requires the assertion of the values of internationalism, the primacy of the rule of law world- wide, and institutional reforms that secure and sustain them. This report offers some suggestions for such responses.

Fifty years ago, another generation, recoiling from the horror of war and the unleashed potential for human self- destruction, sought to secure a future free from fear and free from want. The result of that effort was the United Nations system, established in the name of the peoples of the world. Today, with the need as great and urgent, and with a heightened sense among people of an endangered future, humanity must renew that effort. That is why this report is a call for action.

It is a call for action on many fronts, but essentially for better global governance--better management of survival, better ways of sharing diversity, better ways of living together in the global neighbourhood that is our human homeland. There is no question of capacity to take the action for which the Commission calls. There is only a question of the will to take that action.

Removed from the sway of empires and a world of victors and vanquished, released from the constraints of the cold war that so cramped the potential of an evolving global system throughout the post- war era, seized of the risk of unsustainable human impacts on nature, mindful of the global implications of human deprivation--the world has no real option but to rise to the challenge of change, in an enlightened and constructive fashion. We call on our global neighbours, in all their diversity, to act together to ensure this--and to act now.

Ingvar Carlsson - Stockholm

Shridath Ramphal - London

November 1994

## **Chapter One -- A New World**

The collective power of people to shape the future is greater now than ever before, and the need to exercise it is more compelling. Mobilizing that power to make life in the twenty- first century more democratic, more secure, and more sustainable is the foremost challenge of this generation. The world needs a new vision that can galvanize people everywhere to achieve higher levels of co- operation in areas of common concern and shared destiny.

Fifty years ago, international co- operation, collective security, and international law were powerful concepts. In 1945, world leaders met in San Francisco to sign the United Nations Charter, a document expressing the universal hope that a new era in international behaviour and governance was about to begin. The onset of the cold war did not entirely smother that hope, but it greatly diminished its fulfilment.

As the cold war ended in 1989, revolution in Central and Eastern Europe extended the movement towards democratization and economic transformation, raising the prospect of a strengthened commitment to the pursuit of common objectives through multilateralism. The world community seemed to be uniting around the idea that it should assume greater collective responsibility in a wide range of areas, including security--not only in a military sense but in economic and social terms as well-- sustainable development, the promotion of democracy, equity and human rights, and humanitarian action.

In the three years since the idea for the Commission on Global Governance was advanced by the Stockholm Initiative and endorsed by leaders around the world, the mood has changed significantly. Today, given such experiences as the Gulf War, the enormities of ethnic cleansing in the Balkans, brutal violence in Somalia, and genocide in Rwanda, there is far less assurance. And there is deepening disquiet over the actions--and in some cases the inaction--of governments and of the United Nations. Instead of coming together around a common vision of the way forward, the world seems in danger of losing its way.

## **The Concept of Global Governance**

There is no alternative to working together and using collective power to create a better world.

Governance is the sum of the many ways individuals and institutions, public and private, manage their common affairs. It is a continuing process through which conflicting or diverse interests may be accommodated and co-operative action may be taken. It includes formal institutions and regimes empowered to enforce compliance, as well as informal arrangements that people and institutions either have agreed to or perceive to be in their interest.

Examples of governance at the local level include a neighbourhood co-operative formed to install and maintain a standing water pipe, a town council operating a waste recycling scheme, a multi-urban body developing an integrated transport plan together with user groups, a stock exchange regulating itself with national government oversight, and a regional initiative of state agencies, industrial groups, and residents to control deforestation. At the global level, governance has been viewed primarily as intergovernmental relationships, but it must now be understood as also involving non-governmental organizations (NGOs), citizens' movements, multinational corporations, and the global capital market. Interacting with these are global mass media of dramatically enlarged influence.

When the United Nations system was created, nation-states, some of them imperial powers, were dominant. Faith in the ability of governments to protect citizens and improve their lives was strong. The world was focused on preventing a third world war and avoiding another global depression. Thus the establishment of a set of international, intergovernmental institutions to ensure peace and prosperity was a logical, welcome development.

Moreover, the state had few rivals. The world economy was not as closely integrated as it is today. The vast array of global firms and corporate alliances that has emerged was just beginning to develop. The huge global capital market, which today dwarfs even the largest national capital markets, was not foreseen. The enormous growth in people's concern for human rights, equity, democracy, meeting basic material needs, environmental protection, and demilitarization has today produced a multitude of new actors who can contribute to governance.

All these emerging voices and institutions are increasingly active in advancing various political, economic, social, cultural, and environmental objectives that have considerable global impact. Some of their agendas are mutually compatible; others are

not. Many are driven by positive concerns for humanity and the space it inhabits, but some are negative, self-serving, or destructive. Nation-states must adjust to the appearance of all these forces and take advantage of their capabilities.

Contemporary practice acknowledges that governments do not bear the whole burden of global governance. Yet states and governments remain primary public institutions for constructive responses to issues affecting peoples and the global community as a whole. Any adequate system of governance must have the capacity to control and deploy the resources necessary to realize its fundamental objectives. It must encompass actors who have the power to achieve results, must incorporate necessary controls and safeguards, and must avoid overreaching. This does not imply, however, world government or world federalism.

There is no single model or form of global governance, nor is there a single structure or set of structures. It is a broad, dynamic, complex process of interactive decision-making that is constantly evolving and responding to changing circumstances. Although bound to respond to the specific requirements of different issue areas, governance must take an integrated approach to questions of human survival and prosperity. Recognizing the systemic nature of these issues, it must promote systemic approaches in dealing with them.

Effective global decision-making thus needs to build upon and influence decisions taken locally, nationally, and regionally, and to draw on the skills and resources of a diversity of people and institutions at many levels. It must build partnerships--networks of institutions and processes--that enable global actors to pool information, knowledge, and capacities and to develop joint policies and practices on issues of common concern.

In some cases, governance will rely primarily on markets and market instruments, perhaps with some institutional oversight. It may depend heavily on the coordinated energies of civil organizations and state agencies. The relevance and roles of regulation, legal enforcement, and centralized decision-making will vary. In appropriate cases, there will be scope for principles such as subsidiarity, in which decisions are taken as close as possible to the level at which they can be effectively implemented.

The creation of adequate governance mechanisms will be complicated because these must be more inclusive and participatory--that is, more democratic--than in the past. They must be flexible enough to respond to new problems and new understanding of old ones. There must be an agreed global framework for actions and policies to be carried out at appropriate levels. A multifaceted strategy for global governance is required.

This will involve reforming and strengthening the existing system of intergovernmental institutions, and improving its means of collaboration with private and independent groups. It will require the articulation of a collaborative ethos based on the principles of consultation, transparency, and accountability. It will foster global citizenship and work to include poorer, marginalized, and alienated segments of national and international society. It will seek peace and progress for all people, working to anticipate conflicts and improve the capacity for the peaceful resolution of disputes. Finally, it will strive to subject the rule of arbitrary power--economic, political, or military--to the rule of law within global society.

Effective global governance along these lines will not be achieved quickly: it requires an enormously improved understanding of what it means to live in a more crowded, interdependent world with finite resources. But it does provide the beginning of a new vision for humanity, challenging people as well as governments to see that there is no alternative to working together and using collective power to create a better world. This vision of global governance can only flourish, however, if it is based on a strong commitment to principles of equity and democracy grounded in civil society.

It is our firm conclusion that the United Nations must continue to play a central role in global governance. With its universality, it is the only forum where the governments of the world come together on an equal footing and on a regular basis to try to resolve the world's most pressing problems. Every effort must be made to give it the credibility and resources it requires to fulfil its responsibilities.

Vital and central though its role is, the UN cannot do all the work of global governance. But it may serve as the principal mechanism through which governments collaboratively engage each other and other sectors of society in the multilateral management of global affairs. Over the years, the UN and its constituent bodies have made vital contributions to international communication and co-operation in a variety of areas. They continue to provide a framework for collaboration that is indispensable for global progress. But both the United Nations itself and the broader UN system need to be reformed and revitalized, and this report addresses these needs in the context of the new world that has emerged.

The first challenge for us as a Commission is to demonstrate how changes in the global situation have made improved arrangements for the governance of international affairs imperative, and to point to the concepts and values that should underpin these arrangements so they may produce a world order that is better able to promote peace and progress for all the world's people. That is what we attempt to do in the first two chapters of this report. It is against this background that we offer the substantive recommendations set out in the subsequent chapters.

## **The Phenomenon of Change**

*Never before has change come so rapidly, on such a global scale, and with such global visibility.*

Nelson Mandela's inauguration as President of the Republic of South Africa in May 1994 marked the virtual completion of a major transformation of modern times. The enfranchisement of South Africa's black population may be seen as part of the final phase in the liberation from colonialism and its legacy. This process has nearly quadrupled the world's sovereign states and fundamentally altered the nature of world politics.

One effect of World War II was to weaken the traditional great powers of Europe--the United Kingdom and France--and so trigger a fundamental shift in the relative standing of world powers and the structure of world politics. Just as important was the role of the war in the collapse of the old colonial order. The most important development of the last five decades may be the emergence of new economic and political powers out of the developing world. In a relatively short time, countries such as India and Indonesia have

become significant regional powers. For countries such as Brazil and China the path has been different, but the result the same. To comprehend the immensity of these changes, just imagine the difference between the delegates present in San Francisco and those who would be present--and the influence they would exercise--if such a conference were convened in 1995, or how different the Security Council would be if it were created from scratch today.

The transformation from colonialism was accompanied--indeed, it was fuelled--by a revolution in communication. Thirty years before Mandela made the transition from liberation leader to head of government before a global audience, no satellites carried images of the trial at which he was sentenced to life imprisonment. Over the years of struggle, the communications media revealed, and to some degree reinforced, progress towards liberation. In 1945, as the delegates of fifty countries assembled to form the United Nations, television itself was in its infancy. Many people probably had no idea what had happened in San Francisco. In the fifty years since then, the revolution in communications has quickened the pace of interaction and strengthened the imperative of response.

The last few decades have also witnessed extraordinary growth in global industrial and agricultural productivity, with profound social consequences. Among these have been migration and urbanization that in turn have upset traditional household structures and gender roles. The same forces have depleted non-renewable natural resources and produced environmental pollution. They also first subdued and subsequently reinforced ethnicity, nationality, and religion as sources of identity and the focus of political commitment.

The very tendencies that now require and even facilitate the development of global governance have also generated obstacles to it. For example, the perceived need for co-operation between developing states--whether through regional organizations or such broader groups as the Non-Aligned Movement or the Group of 77--had to contend with the strong nationalism and regard for sovereignty borne out of independence struggles. The Commission believes that such contradictions can be resolved, and that this may best be achieved through a system of global governance that includes the whole range of associations and interests--both local and global, formal and informal--that exist today.

## **Globalization**

Deregulation, interacting with accelerating changes in communications and computer technology, has reinforced the movement towards an integrated global market. The changing patterns of economic growth of the last few decades have produced new poles of dynamism. Germany and Japan, vanquished in World War II, have dislodged the United Kingdom and France in economic league tables. The European Union matches the United States as an economic power. New areas of economic vibrancy are appearing in Latin America. The striking performance of the four Asian 'tigers' and of China, with countries such as India and Indonesia not far behind, is shifting the world centre of economic gravity.

Developments such as these are even shifting the meaning of traditional terms and rendering many of them less useful. There is no longer an East to be juxtaposed against the West. With the abandonment of communism, capitalism has become even more of

an omnibus term that hides important distinctions between different ways of organizing market economies. Similarly, the North- South dichotomy is becoming less sharp. And the problems of Africa are now strikingly different from those of South- east Asia or South America. More and more, it is disparities within nations and regions, both North and South, no less than the disparities among nations and blocs that reveal injustice and cause insecurity.

The term globalization has been used primarily to describe some key aspects of the recent transformation of world economic activity. But several other, less benign, activities, including the drug trade, terrorism, and traffic in nuclear materials, have also been globalized. The financial liberalization that seems to have created a borderless world is also helping international criminals and creating numerous problems for poorer countries. Global co- operation has eradicated smallpox. And it has eliminated tuberculosis and cholera from most places, but the world is now struggling to prevent the resurgence of these traditional diseases and to control the global spread of AIDS.

Technological advances have made national frontiers more porous. States retain sovereignty, but governments have suffered an erosion in their authority. They are less able, for example, to control the transborder movement of money or information. They face the pressures of globalization at one level and of grassroots movements and, in some cases, demands for devolution if not secession at another. In the extreme case, public order may disintegrate and civil institutions collapse in the face of rampant violence, as in Liberia and Somalia.

Mounting evidence indicates that human activities have adverse--and sometimes irreversible--environmental impacts, and that the world needs to manage its activities to keep the adverse outcomes within prudent bounds and to redress current imbalances. The links among poverty, population, consumption, and environment and the systemic nature of their interactions have become clearer. So has the need for integrated, global approaches to their management and world- wide embrace of the discipline of sustainable development counselled by the World Commission on Environment and Development and endorsed at the June 1992 Earth Summit. The call is for fundamental changes in the traditional pattern of development in all countries.

## **The Need for Vision**

The last fifty years have radically and rapidly transformed the world and the agenda of world concern. But this is not the first generation to live on the cusp of a great transformation. The turbulence of the last decade is not unlike those that accompanied the rise of Islam in the century following the death of the Prophet, the European colonization of the Americas after 1492, the onset of the Industrial Revolution in the eighteenth century, and the creation of the contemporary international system in this century. Yet there is a distinction between the contemporary experience of change and that of earlier generations: never before has change come so rapidly--in some ways, all at once--on such a global scale, and with such global visibility.

A time of change when future patterns cannot be clearly discerned is inevitably a time of uncertainty. There is need for balance and caution--and also for vision. Our common future will depend on the extent to which people and leaders around the world develop the vision of a better world and the strategies, the institutions, and the will to achieve it.

Our task as a Commission is to enlarge the probability of their doing so by suggesting approaches to the governance of the global, increasingly interdependent human society.

## **Military Transformations**

*The strategic terrain is now sharply different from what it was even five years ago.*

On 6 August 1945, the United States dropped the first atomic bomb on Hiroshima. The death toll, some 140,000 by the end of 1945, was to rise to around 227,000 by 1950--all from a single explosion that was small and primitive by current standards of nuclear weaponry. From then onward, the destructive power of nuclear weapons increased exponentially, and the world lived with the possibility that life on earth could end in one apocalyptic blast.

During the past fifty years, trillions of dollars have been spent on weapons that have never been used, chiefly by the United States and the Soviet Union. It has been argued that nuclear weapons prevented the bitter rivalry between these two countries from erupting in a full- scale war between them. It cannot, however, be denied that the development of nuclear arms brought enormous risks for humanity while absorbing money that could have supported worthier, life- enhancing purposes.

Nuclear weapons came to be seen as a badge of great- power status and a potential shield against a hostile world. All the permanent members of the Security Council felt it necessary to acquire their own nuclear capabilities. Several other countries also invested heavily in developing the ability to produce these weapons: Argentina, Brazil, India, Iraq, Israel, North Korea, Pakistan, and South Africa. Others are widely believed to have started on the same road. And there has been a further dispersion of nuclear weapons material and technology following the breakup of the Soviet Union.

At the same time, there were large- scale sales of conventional weapons, particularly to developing countries. The Third World became increasingly militarized, drawing funds away from vitally needed economic and social development.

## **A New Arms Race**

The lessening of tensions in the 1980s between the United States and the Soviet Union started a process that led to dramatic reductions in the nuclear stockpiles of these countries. But the end of the East- West confrontation does not stop the spread of nuclear weapons: as long as these weapons exist, the risk of their use remains.

The world may, in fact, be on the verge of a new race to acquire weapons of mass destruction. These include biological and chemical weapons in addition to nuclear ones. The new arms race could also involve more countries. Even non- state entities--drug syndicates, political movements, terrorist groups--could join it. A much wider range of interests and motives will have to be taken into account in efforts to discourage proliferation, and the factors to be considered in plans to deter the use of weapons of mass destruction will be vastly more complicated. There will also be higher risks of accidental war as the number of countries with these weapons rises.

In all these respects, the strategic terrain is now sharply different from what it was even five years ago. But weapons of mass destruction are only one factor in the global military equation. And for most people, they are still an abstract and distant threat compared with the threat that conventional arms pose.

## **The Arms Trade**

The period since 1945 may be regarded as a long peace only in the restricted sense that there has been no war between major powers. In other respects, and for much of the world, it has been a period of frequent wars. In a few of these, the United States and the Soviet Union were directly involved; in many others, their support was a key factor.

By one estimate, between 1945 and 1989 there were 138 wars, resulting in some 23 million deaths. But military force was also used elsewhere, without an actual war breaking out, as in Hungary in 1956, Czechoslovakia in 1968, and Grenada in 1983. The Korean War, which caused 3 million deaths, and the Vietnam War, which killed 2 million people, were the most deadly conflicts. All 138 wars were fought in the Third World, and many were fuelled by weapons provided by the two major powers or their allies.

Between 1970 and the end of the cold war in 1989, weapons worth \$168 billion were transferred to the Middle East, \$65 billion worth went to Africa, \$61 billion to the Far East, \$50 billion to South Asia, and \$44 billion to Latin America (all in 1985 dollars). The Soviet Union and the United States accounted for 69 per cent of the \$388 billion total. The surfeit of weapons, especially small arms, left over from this era is a key enabling factor in many conflicts now scarring the world.

Yet the arms trade continues. Although the demand for arms has declined as many countries face economic difficulties or feel less threatened since the end of the cold war, those that are buying find many countries eager to sell. The five permanent members of the Security Council provide 86 per cent of the arms exported to developing countries. In 1992, the United States alone accounted for 46 percent of the deliveries of weapons to these states. For arms exporters--the United States, Russia, United Kingdom, France, and Germany are the top five--strategic considerations now matter less than protecting jobs and industrial bases. And the huge research and development costs of major weapons often mean that even the largest domestic market cannot guarantee a profit.

## **The Rise in Civil Conflict**

In each of the last few years, at least thirty major armed conflicts--defined as those causing more than 1,000 deaths annually--have been in progress. Many have gone on for several years. Each has its own historic origins and proximate causes. Structural factors at the regional or global level are significant in many conflicts. The wars of Afghanistan and Angola are direct legacies of cold war power politics. Other conflicts, including those in Azerbaijan, Bosnia, Georgia, and Somalia, were in different ways precipitated by the end of the cold war and the collapse of old regimes. In many cases, structural factors have combined with tension across social cleavages, whether ethnic, religious, economic, or political, to fuel antagonisms. Personal ambitions and missed opportunities have played some part.

The risks of war between states have not been eliminated, and several sources of discord that could spark interstate war remain. Flashpoints have existed in many regions; the dissolution of the Soviet Union, leaving troublesome sources of contention between some of its successor republics, may have added to these. Meanwhile, it is conflicts originating within national polities--in Yemen, Rwanda, and the former Yugoslavia, for example--that have posed a formidable new challenge to the world community.

Until recently, the United Nations has had very little to do with these conflicts. The peace and security provisions of the UN Charter were designed to deal with wars between states, and it was not envisaged that the UN would intervene in the domestic affairs of sovereign states. But the United Nations is under public pressure to take action when violent strife within countries leads to extensive human suffering or threatens the security of neighbouring countries.

## **Widespread Violence**

A disturbing feature of the contemporary world is the spread of a culture of violence. Civil wars brutalize thousands of young people who are drawn into them. The systematic use of rape as a weapon of war has been an especially pernicious feature of some conflicts. Civil wars leave countless weapons and a legacy of continuing violence. Several political movements ostensibly dedicated to the liberation of people have taken to terrorism, showing scant regard for the lives of innocent civilians, including those in whose name they are fighting. Violence is sometimes perceived as an end in itself.

The ascendance of the military in many countries has contributed to an ethos inimical to human rights and democratic values. In some societies, the trade in narcotics has been responsible for raising the general incidence of violence. Russia and some parts of Eastern Europe have seen a surge of violence as criminal syndicates seek to exploit the new freedoms. Widespread criminalization can threaten the very functioning of a state. In the United States, the easy availability of weapons goes with a startling level of daily killings. Ethnic violence in several parts of the world has shown extreme savagery.

Conflict and violence also leave deep marks on the lives of children, innocent victims who are rarely able to rid themselves of the legacy of war. The culture of violence is perpetuated in everyday life. Violence in the home, particularly against women, has long been an underestimated phenomenon, both widespread and tolerated, and part of both the roots and the consequences of violence within and between societies. The world over, people are caught in vicious circles of disrespect for the life and integrity of others.

A hopeful scenario portrays the present level of violence as a transitional phenomenon. In this view, the world is likely to become much more peaceful and secure for most of its inhabitants once it recovers from the disruptions caused by the sudden end of the cold war. Another scenario envisages a world divided into two: a prosperous and secure part that would include most of Western and Central Europe, East Asia, and North America, and a larger part of impoverished and violently conflicted territories without stable governments, which would include large areas of Africa, the Middle East, and South Asia and possibly bits of Central and South America.

In a third scenario, the entire world would be engulfed in spreading violence, and large areas would become ungovernable. Crime, drug abuse, high unemployment, urban stress, economic mismanagement, and ethnic tensions would lead to low- level violence or graver conflict in regions and cities throughout the world. In this view, the Chiapas rebellion in Mexico, the Los Angeles riots, the murders of journalists and academics in Algeria, and the appearance of neo- fascist movements in Europe--different though they are in character and scale--bode ill for their respective societies and the world as a whole.

Unless the optimism of the first scenario is borne out--even if the world does not move fully towards the forbidding situations projected in the other two scenarios--global governance faces a grave test.

## **Economic Trends**

*The dazzling performance of several developing countries has tended to blur the relentless growth in the number of the very poor.*

At the end of World War II, the United States, as the world's only thriving industrial economy, was thrust into an unparalleled position of economic leadership. From the early days of the war, U.S. and British officials set about designing a set of international institutions to promote economic recovery, full employment, free trade, and economic stability. The United Nations Relief and Rehabilitation Administration, the Bretton Woods institutions, and the General Agreement on Tariffs and Trade, together with the Marshall Plan launched by the United States to revive Europe, helped lay the foundation for the most rapid and sustained expansion of the international economy in history.

The driving force of the long post- war boom was the private sector. Major extractive, service, and manufacturing firms in Europe and North America had already developed a substantial international presence during the first half of the century. After 1945, the weight of these transnational corporations (TNCs) in the world economy grew as the pioneers matured and were joined by Japanese and subsequently by other Asian and Latin American enterprises. Complementing these were a number of massive state-owned firms, mostly in the energy and service sectors. Together and often through joint ventures, these transnational firms extended and intensified industrialization and brought about a globalization of production, trade, and investment that dramatically increased world economic interdependence. At the same time, however, it increased the vulnerability of the weak through uneven distribution of gains and pressures on natural resources.

From the early 1950s, the world's output grew at a historically unprecedented rate. During the four decades up to 1990, real output increased fivefold. The benefits of economic expansion were especially obvious in Western industrial countries. In one generation after 1950, per capita income increased in most of Europe as much as it had during the previous century and a half. A tide of new consumer goods flooded U.S. and European markets, transforming societies that only recently had suffered the hardships of the Great Depression and the ravages of World War II. The quality of life improved dramatically. Particularly in Europe, extensive social security systems were constructed. The welfare state, with widely accessible, high- quality health care and enlarged

educational opportunities, appeared. In many countries, unemployment was kept at very low levels.

Many developing countries also achieved higher growth rates than those in the already industrialized world. Great strides were made in combating hunger and disease, improving sanitary conditions, and providing education. The gains, however, were not equally shared. Some groups began to enjoy vastly increased prosperity while others languished in poverty.

Since the 1970s, a succession of challenges has shaken confidence in the post-war order and slowed growth in many countries. A series of shocks--including the US government's 1971 decision to sever the dollar-gold link and the dramatic rise in oil prices starting in 1973--signalled the end of the easy growth years. At the end of the decade, recession in the industrial countries and anti-inflationary policies precipitated a sharp rise in real interest rates. Mexico's declared inability to service its debt in 1982 marked the onset of a debt crisis that engulfed much of Latin America and also Africa, where it aggravated already deep economic problems.

Many countries were caught in a debt trap, unable to maintain interest payments, let alone repay debt, public or private. Investment and imports were curtailed, exacerbating the difficulties of growing out of debt. Growth rates fell sharply, with average income per head actually falling on the two continents. Africa is today poorer than at the start of the 1970s. Everywhere, the poor suffered greatly from falling real incomes and rising unemployment.

The 'lost decade' of development--for some, actually a 'lost generation'--had roots both in domestic conditions and the international economic environment. Economic policies that were too inward-looking left countries unable to respond to external shocks, and proved unsustainable. Inadequate global economic governance both contributed to the crisis and, perhaps worse, postponed its resolution. Most countries have faced up to the crisis by introducing difficult and often painful structural adjustment programmes. Some, but not all, have as a result reversed economic decline. With policies for macro-economic stability and a market-driven recovery, a number of middle-income countries are experiencing a revival in economic strength. The crisis, especially in terms of human development, is still far from over, but most countries have a better sense of what could lead to sustainable economic development.

At the same time, some developing countries had a radically different, much more positive experience during the 1980s. Particularly in Asia, a number of countries weathered adverse trends and in fact benefited from strong demand in the industrial world, achieving high levels of export-led growth. In the wake of the spectacular economic success of Hong Kong, Singapore, South Korea, and Taiwan, many other developing countries, including some of the world's most populous--China, Indonesia, Malaysia, and Thailand in Asia; Brazil, Chile, and Mexico in Latin America--achieved several years of high, sometimes double-digit, growth. The Indian subcontinent, home to more than a billion people, has also shown greater economic vigour. These developments are not uniformly benefiting all people. Sustained growth, however, is providing greater opportunities for many millions, and is fundamentally transforming global economic relations.

## Persistent Poverty

The dazzling performance of several developing countries in Asia has tended to blur a less admirable aspect of the economic changes of the post-war world: the relentless growth in the number of the very poor. Though the global economy has expanded fivefold in the last four decades, it has not rooted out dire poverty or even reduced its prevalence. Even some otherwise successful countries have not managed to eliminate poverty.

The entrenchment of poverty is borne out by the fact that the number of people falling in the World Bank's category 'the absolute poor' had climbed to 1.3 billion in 1993. This level of poverty spells acute destitution; it is life at the edge of existence. For the absolute poor, for example, a nearby source of safe drinking water is a luxury; in several countries--Bhutan, Ethiopia, Laos, Mali, Nigeria--less than half the population has even this.

Geographical, gender, and age distributions of poverty also deserve attention. By the late 1980s, the chronically undernourished in Asia had fallen to 19 per cent of the population, half the level of two decades earlier. But the same twenty years saw little change in Africa, where undernourishment continued to afflict about a third of a rapidly growing population. Sub-Saharan Africa and South Asia stand out as the poorest regions in the world today. In all, about 800 million people do not have sufficient and regular supplies of food.

Such levels of poverty and malnutrition are shocking. Equally shocking is the 'feminization' of poverty and the ways in which these evils and their associated deprivations blight the lives of children throughout the world. Women who enter the labour market continue to receive less reward than men for equivalent work and to be confined to stereotypical and low-status tasks. At the same time, their unpaid work in the home and the field goes unrecognized, even though no national economy could survive without it. Their low incomes are reinforced by cultural patterns that place women behind men in the queues for food and education in countries where these are scarce. A third of adults in the developing world are illiterate; of these, two thirds are women.

Deprivation is passed on to the next generation. In low-income developing countries, seventy-three out of every 1,000 babies do not live until their first birthday. The rate of infant mortality is ten times that in rich countries. Of the children that survive, many do not receive an education. Just over 40 per cent of eligible children attend secondary school.

Absolute poverty provides scant basis either for the maintenance of traditional society or for any further development of participation in civic life and governance. Yet poverty is not only absolute but relative. The destitution of perhaps a fifth of humanity has to be set alongside the affluence of the world's rich. Even using income data based on purchasing power parity (PPP) to correct for different price levels in different countries, the poorest fifth earn less than one twentieth as much as the richest fifth. Per capita incomes in the United States and India, for instance, were \$22,130 and \$1,150 respectively in 1991 on a PPP basis.

Unfair in themselves, poverty and extreme disparities of income fuel both guilt and envy when made more visible by global television. They demand, and in recent decades have begun to receive, a new standard of global governance.

## **Eastern Europe's Experience**

The collapse of the Soviet bloc has opened up new opportunities for the people of Central and Eastern Europe. Except in the already industrialized parts of Central Europe, the early years of the Communist economic system did bring some improvement in economic and social conditions. But politically motivated isolation from the world community and world economy, combined with an emphasis on militarization and heavy industry, eventually led to stagnation and decline. Efforts to secure progress through command economies proved impossible to sustain and environmentally disastrous. These people are now engaged in fundamental transformations of their economies and integration into the European and world economies.

Transformation into successful market economies is an extremely difficult process. The breakdown of old structures has everywhere precipitated a severe decline in output. For many people, the quality of life has deteriorated. The situation in Russia and Ukraine, as evidenced by a dramatic rise in mortality and criminality, gives special cause for concern. It is not clear yet that these countries will be able to achieve the right combination of national liberation, shared responsibility, and mutual respect and tolerance, or to strike the right balance between radical transformation and stability or between market reform and political, social, environmental, and other objectives.

Nevertheless, signs of new economic creativity are to be found everywhere in the region. Its countries, home to more than 300 million people, possess both human and natural resources that should enable them to develop relatively quickly once functioning market institutions have been created. Their integration into the international economy will increase competition on the world market. That may well cause economic dislocation, for example in European agriculture. But there is also much scope for mutually beneficial trade, not least with the dynamic Asian economies and other parts of the developing world. If the transformation finds sustainable forms, global economic relations could acquire a fundamentally positive new dimension.

## **Regional Groups**

The emergence of regional economic groups enlarges the prospect for a new geo-economic landscape. The uniting of Europe has created a single regional economy that accounts for about 40 per cent of the world's imports and exports. As this integration proceeds, the European Union will take on more and more of the global economic roles and responsibilities traditionally shouldered by its member-states. The North American Free Trade Agreement has brought into being another regional body that could play an increasingly important role in the global economy.

In Asia, the Association of South- East Asian Nations now has a significant regional economic role, and there is some prospect of an eventual emergence of a larger Asian economic community. Asian and Pacific leaders recently formed the Asia- Pacific Economic Co- operation forum, which will allow them to discuss common problems

and develop co-ordinated policies. There have also been moves to set up an East-Asian Economic Caucus.

Progress towards closer regional co-operation has also been evident in recent years in Central America, the Caribbean, and South America, where democratization and new initiatives have revived established forums and fostered new ones such as MERCOSUR and the Association of Caribbean States. Elsewhere--in South Asia and Africa--regional arrangements have fared less well or failed to emerge. In Europe, there is debate about the speed and scope of integration, including its extension to Central and Eastern Europe and Mediterranean countries.

It is also unclear whether regional organizations will become building blocks of a more balanced global economic order or degenerate into instruments of a new protectionism that divides the world. It is therefore important that they become an integral part of a more democratic system of global governance.

## **The Private Sector**

Another phenomenon of recent years that holds immense but as yet unclear consequences for the evolution of global governance is the burgeoning of private enterprise. The demands created during two world wars and the general economic dislocation brought about by war and depression resulted in massive state intervention during the first half of the twentieth century even in countries most strongly committed to free enterprise. Twice in a generation, world business leaders became civil servants entrusted with the management of military and civilian supplies by warring states.

This experience left its mark on the attitudes of policy makers towards the private sector in industrial and developing countries alike after 1945. Economic policy makers were confident of their ability to guide and regulate market forces for the public good. This was reflected in the economic policies adopted by most industrial countries to stimulate growth and improve living and working conditions. It was also revealed in the institutions created by the architects of the post-war order to govern the international economy; in ambitious strategies of import substitution adopted by India, Mexico, and Brazil; and in the restrictive systems of regulation imposed on foreign-owned firms in these and many other developing economies.

But the extensive movement in favour of market-driven approaches since the end of the 1970s has recast transnational corporations into mobilizers of capital, generators of technology, and legitimate international actors with a part to play in an emerging system of global governance. Many TNCs now manufacture on several continents, buying and selling world-wide. Numerous consumer products and brand names have become ubiquitous. The change in the economic policy environment has also helped many vigorous small entrepreneurs emerge, particularly in developing countries. This is another facet of the trend towards greater empowerment world-wide.

## **Social and Environmental Change**

People are beginning to assert their right to participate in their own governance.

Along with political and economic transformations, the past five decades have seen far-reaching social and environmental change. Rapid population growth has been accompanied by many changes in the way people live as increasing economic activity has helped raise living standards and spread literacy. The media, aided by new technology to become pervasive in its reach, reflects some of these changes and influences others.

Increasing population and economic growth have placed additional pressure on natural resources and the environment, and the management of both demographic and economic change to safeguard the interests of future generations has become an issue of paramount importance.

As significant as these changes is the increasing capacity of people to shape their lives and to assert their rights. The empowerment of people is reflected in the vigour of civil society and democratic processes. These point to the potential of human creativity and co-operation, both vital to meet the many challenges--security, economic, environmental, social--that the world faces and that governance must address.

## **Population**

More than twice as many people inhabit the earth today as when the post-war era began. Indeed, more people have been added to the world's population in the past five decades than in all the previous millennia of human existence. Although the rate at which population is growing has been slowing for some time, annual additions remain high, reaching a near-peak level of 87 million in 1993. In 1950, by comparison, only 37 million people were added to the global total.

The fertility of the earth and farm technology--new seeds, fertilizer, pesticides, machines, irrigation--have so far prevented a Malthusian crisis in which numbers completely outstrip the ability of humankind to feed itself. As highlighted at the 1994 International Conference on Population and Development, the prospect of continuing demographic growth raises disturbing questions. These are not just about food supplies, though in some parts of the world rising population is contributing to growing food insecurity. They are also about the capacity of the earth to withstand the impact of human consumption as numbers multiply if present trends of rising economic activity and rising consumption continue unchanged. The distribution of future expansion is also worrying: the fastest population growth will be in Africa, both the poorest and ecologically the most fragile of regions.

UN demographers now believe world population growth will slow much more gradually than they had expected. In 1982, they thought global population would reach a peak of 10.2 billion at the end of the next century. Now they say that it could go on climbing for another century and more, until it hits 11.6 billion. Developing countries already have 78 per cent of the people in the world; as much as 94 per cent of the current increase is also taking place in these countries. Their cities will face severe strains as more and more people leave rural areas that cannot support them. These countries are urbanizing much faster than today's industrial ones did at a comparable stage in their development.

They are also urbanizing faster than they are industrializing. Cities are attracting people ahead of their economic capacity to provide jobs, homes, water, sanitation, and other

basic services. This is the road to urban squalor, with social tensions, crime, and other problems to follow. Large cities have long ceased to be exclusive to industrially advanced countries. By 1960, three of the ten largest cities in the world were in developing countries. By the end of the 1990s, these states will have as many as eighteen of the twenty- four cities with more than 10 million people. The problems are much more acute in the rapidly growing cities of the developing world. The city is a vital subject of all levels of governance. Global governance has an important contribution to make in tackling causes of excessively rapid population growth and urbanization, and in strengthening regional, state, and local capacities to cope with their consequences.

## **The Earth's Resources**

Rapid growth in population is closely linked to the issue of environmental security through the impact that people have on the earth's life- supporting resources. Evidence has accumulated of widespread ecological degradation resulting from human activity: soils losing fertility or being eroded, overgrazed grasslands, desertification, dwindling fisheries, disappearing species, shrinking forests, polluted air and water. These have been joined by the newer problems of climate change and ozone depletion. Together they threaten to make the earth less habitable and life more hazardous.

Both the rate at which and the way key resources are used are critical factors in determining environmental impact. Industrial countries account for a disproportionate use of non- renewable resources and energy. Despite a substantial rise in energy use in developing countries in recent decades, per capita consumption of fossil fuels in industrial countries is still nine times as high. With less than a fourth of the world's people, industrial countries (including Eastern Europe and the former Soviet Union) accounted for 72 per cent of the world's use of fossil fuels in 1986-90. The pattern for key metals shows even larger disparities. Developing countries use only 18 per cent of the copper consumed each year, for example, and per capita use in industrial countries is seventeen times as high as in developing ones.

In developing countries, the main environmental pressure is linked to poverty. Poor people press on the land and forests, over- exploiting them to survive and undermining the resource base on which their well- being and survival depend. These countries must be helped to climb out of poverty and so ease pressure on their habitat. But as they become less poor, their living standards and therefore consumption levels will rise. The world must find ways to ensure they can do so without endangering environmental safety. They must have access to technologies that use fewer resources, such as energy- saving technologies. To keep global resource use within prudent limits while the poor raise their living standards, affluent societies need to consume less.

Population, consumption, technology, development, and the environment are linked in complex relationships that bear closely on human welfare in the global neighbourhood. Their effective and equitable management calls for a systemic, long- term, global approach guided by the principle of sustainable development, which has been the central lesson from the mounting ecological dangers of recent times. Its universal application is a priority among the tasks of global governance.

## **Global Media**

Innovations in communications technology, in addition to driving economic globalization, have also transformed the media world and the spread of information, with important consequences for national as well as global governance. This began with radio broadcasting in the 1940s and has since been extended through television and satellite transmission to give even those in remote places immediate access to sound and images from a wider world. In some countries, new communications systems have even brought people news of domestic events that is not available locally. Direct-dial international telephone and fax services have swelled the transborder flow of news and other messages. Another important development has been the sharing of information through links between computers around the world.

Exposure through the media to foreign cultures and life-styles can be both stimulating and destabilizing; it can inspire both appreciation and envy. Concern that the dominance of transnational media could result in cultural homogenization and could damage indigenous cultures is not limited to non-Western countries. Many people are worried that media images will strengthen the consumerist ethos in societies in the early stages of development. There are questions about distortion and imbalance as the world's news is filtered predominantly through Western prisms, and dissatisfaction that information flows from and within the developing world are inadequate. Apprehension about concentration in media ownership is linked to worries that this sector's power to shape the agenda of political action may not be matched by a sense of responsibility. These varied concerns have given rise to the suggestion that civil society itself should try to provide a measure of global public service broadcasting not linked to commercial interests.

The wider access to information has been healthy for democracy, which gains from a better-informed citizenry, as well as beneficial for development, scientific and professional collaboration, and many other activities. The wide linkages now facilitated can also help pull the world's people closer together. Media images of human suffering have motivated people to express their concern and their solidarity with those in distant places by contributing to relief efforts and by demanding explanations and action from governments. The media's influence on the shaping of foreign policy is considerable in many countries.

Although there has been a spectacular expansion in the reach of some communications media, serious imbalances remain in access to information and in the distribution of even the most basic technology. Two billion people--more than one in three individuals in the world--still lack electricity. In 1990, Bangladesh, China, Egypt, India, Indonesia, and Nigeria together had fewer telephone connections than Canada, which has only 27 million people. These disparities are repeated in the ownership of communications satellites, the key to media globalization.

### **Agents of Change in Civil Society**

Among the important changes of the past half-century has been the emergence of a vigorous global civil society, assisted by the communications advances just described, which have facilitated interaction around the world. This term covers a multitude of institutions, voluntary associations, and networks--women's groups, trade unions, chambers of commerce, farming or housing co-operatives, neighbourhood watch associations, religion-based organizations, and so on. Such groups channel the interests

and energies of many communities outside government, from business and the professions to individuals working for the welfare of children or a healthier planet.

Important non- governmental organizations and movements have existed for as long as the modern state. But the size, diversity, and international influence of civil society organizations have grown dramatically during the past five decades. The spectacular flourishing of such organizations at first centred mainly on industrial countries with high living standards and democratic systems. More recently, such organizations have begun to blossom in developing countries and in former Communist countries in Europe.

The NGO community has changed with shifts in economic and social patterns. Trade unions, which were among the largest and most powerful NGOs nationally and internationally, have declined somewhat with changes in industrial employment and trends towards free market ideologies in labour relations, although their influence and membership remains considerable in many countries. Conversely, issue- oriented mass membership and specialist organizations have become much more numerous.

All in all, citizens' movements and NGOs now make important contributions in many fields, both nationally and internationally. They can offer knowledge, skills, enthusiasm, a non- bureaucratic approach, and grassroots perspectives, attributes that complement the resources of official agencies. Many NGOs also raise significant sums for development and humanitarian work, in which their dedication, administrative efficiency, and flexibility are valuable additional assets. NGOs have been prominent in advancing respect for human rights and are increasingly active in promoting dispute settlement and other security- related work.

Growing awareness of the need for popular participation in governance, combined with disenchantment with the performance of governments and recognition of their limited capabilities, has contributed to the growth of NGOs. The proliferation of these groups broadens effective representation, and can enhance pluralism and the functioning of democracy. Civil society organizations have attained impressive legitimacy in many countries. Yet, some governments and powerful interests remain suspicious of independent organizations, and issues of legitimacy and accountability will continue to arise everywhere as assessments of the NGO sector become more careful and nuanced. The sector includes a huge range of bodies, not all of which are democratic in structure or broadly representative in participation.

Some NGOs serve narrow interests, and this pattern may intensify as the sector is seen to take on greater political importance. NGOs increasingly span the entire range of interests and political positions on particular issues. Civil society organizations make tremendous contributions in mobilizing the energies and commitment of people, but the focus on single issues that gives some of them strength and expertise may also block out perspectives on wider concerns. As such organizations become more institutionalized, they become more dependent on tactics to raise membership or obtain funding.

In developing countries, civil society organizations often face particularly difficult dilemmas of securing funding and access to current information while retaining independence and avoiding being portrayed as foreign- influenced. Overall, however, civil society organizations and the NGO sector in general are vital and flourishing

contributors to the possibilities of effective governance. They must occupy a more central place in the structures of global governance than has been the case.

As at the national level, civil servants in intergovernmental organizations have been cautious in acknowledging that NGOs can be useful partners. UN- NGO relationships are, however, improving. Collaboration is now an established feature of international life, though much remains to be done. It reached a high point in Rio with the UN Conference on Environment and Development in 1992: more than 1,400 NGOs were accredited to the official conference and thousands more participated in the parallel Global Forum--the largest number to attend a UN event and perhaps the closest collaboration ever between the official and independent sectors.

Strong NGO participation has also marked the UN conferences held after Rio: on human rights in Vienna in 1993, on small island states in Barbados in 1994, and on population and development in Cairo, also in 1994. It is likely to be repeated at the World Summit on Social Development in Copenhagen in March 1995, the World Conference on Women in Beijing in September 1995, and the Conference on Human Settlements in Istanbul in June 1996.

The growing range of actors involved makes the challenge of governance more complex. Policy makers have to serve, engage, and mobilize a much wider variety of institutions--and hence to cope with a broader range of interests, values, and operating styles. Although institutional diversity may complicate the process, it could also greatly increase the capacity of the governance system to meet the complex demands placed on it. Problems that may go unobserved by one set of institutions may be detected by another; those beyond the capacity of certain organizations may be easily addressed by others.

This is especially true in the area of sustainable development: many development mistakes have occurred because bureaucrats, national and international, failed to foresee or ignored the likely effects of new projects. Civil society organizations play important roles in identifying genuine development needs, initiating projects, and in some cases implementing projects as funding or co- funding agencies. In projects funded by governments and intergovernmental agencies, involving NGOs in the preparation and evaluation of projects may increase the likelihood of success.

Finding ways for so many different organizations to participate constructively in international activities is a challenging task, but the progress made in Rio and since then provides a good foundation. Official bodies need, of course, to relate to the independent sector on a regular basis, not simply at or in preparation for a major conference. They must reach out to civil society in a positive spirit and seek its contributions at all stages, including the shaping of policy. The agents of change within civil society can help this process through arrangements to ensure balanced representation of their own varying interests and positions and through manageable modes of participation.

## **The Empowerment of People**

The new vigour of civil society reflects a large increase in the capacity and will of people to take control of their own lives and to improve or transform them. This has been helped by wider educational facilities, improved opportunities for women, and

greater access to information as well as political progress. A number of governments, political movements, and other institutions have also made conscious efforts to empower people.

Empowerment depends on people's ability to provide for themselves, for poverty translates into a lack of options for the individual. Economic security is essential if people are to have the autonomy and means to exercise power. While the number of productive jobs world-wide has multiplied, particularly through the growth of the small-scale private sector, practically all societies are affected by debilitating unemployment. And the situation seems to be worsening, with marginalization eating away at communities. No empowerment will be sustained if people lack a stable income.

The most egregious failure in the process of empowerment is in respect of women; despite wide campaigning for their emancipation and many advances, a large share of the world's women remains voiceless and powerless. The struggle to achieve equal opportunity and remuneration for women in the economic sphere continues, and it should be joined by a comparable struggle to achieve equal access and voice for women in the political sphere.

The number and proportion of people who can make their voices heard is nevertheless vastly greater in all parts of the world today than in 1945. This is principally the product of decolonization, economic improvement, and the spread of democracy. Beyond elections, however, people are beginning to assert their right to participate in their own governance. They include indigenous peoples long deprived by settlers of control over traditional lands, ethnic minorities seeking a role in government, and regional and local groups who feel their interests have been neglected by national leaders. These groups have become more effective in asserting their rights.

More generally, attitudes towards governments are changing. Tensions between the government of the day and opposition groups are a vital part of any democracy. But there is now greater disenchantment with the political process itself; both government and opposition parties and politicians of all hues have been losing credibility. This may partly derive from the increasing demands of electors and the growing inability of politicians to deliver results, as in an increasingly interdependent world, individual states are constrained in what they can achieve. There are also deeper causes, such as corruption and criminalization of politics.

Many people expect more from democracy. Two minutes in a voting booth every few years does not satisfy their desire for participation. Many resent politicians who, having won elections in democratic systems, neglect large sectors of the community--sometimes even a majority of the electorate--who have voted for the 'losers'. The widening signs of alienation from the political process call for the reform of governance within societies, for decentralization, for new forms of participation, and for the wider involvement of people than traditional democratic systems have allowed.

### **Enlightened Leadership**

Leadership is urgently needed that represents all the world's countries and people, not simply the most powerful.

Fifty countries met in San Francisco in 1945 to create an international organization that could help build a new world out of the wreckage of war. What united them was not so much a clear view of the future as a determination to prevent a repetition of the horrors and mistakes of the past.

The goal of the conference in San Francisco was aptly summed up in the phrase 'never again'. Never again should the world's leaders fail to prevent a global depression. Never again should they fail to stand up to aggression. Never again should they tolerate governments that assaulted the most basic dignities of their citizens. Never again should they squander the chance to create institutions that would make a lasting peace possible. It was these aims that led the delegates in San Francisco--and at the July 1944 United Nations Monetary and Financial Conference held in Bretton Woods, New Hampshire--to establish the key international institutions that became part of the post-war arrangements for global governance.

Few delegates in San Francisco questioned the state as such. What bad states had upset, good states could restore. Many of those with the requisite qualities of leadership and expertise had, after all, been drawn into the ever-widening web of state during the preceding thirty years. And the public-service mentality that had reached new heights during the war was now channelled into the construction of welfare states and the United Nations system.

Forty years on, the public sector has shrunk and service to the state has lost its exalted status. While leadership is once again urgently needed, it is leadership of a different character, in which reserves of commitment to public service are sought not only among politicians and civil servants but also in the voluntary sector, in private enterprise, and indeed throughout global civil society: leadership that represents all the world's countries and people, not simply the most powerful.

The concept of dispersed and democratic leadership should not be seen as contradictory. It draws its strength from society as much as the state, from solidarity much more than from authority. It operates by persuasion, co-operation, and consensus more often than by imposition and fiat. It may be less heroic, but it is the only form of leadership likely to prove effective.

The challenges facing the world today are vastly more complicated than those that confronted the delegates in San Francisco. They demand co-operative efforts to put in place a system of global governance better suited to present circumstances--a system informed by an understanding of the important transformations of the past half-century and guided by enlightened leadership.

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## **Chapter Four: Managing Economic Interdependence**

### **Challenges to Global Economic Governance**

The international community today faces enormous challenges in dealing with economic governance--challenges related to the growing interdependence of economies

and civil society, the continued impoverishment of much of the world and the unused human potential that entails, and the increased realization of the threats to the environment and thus to planetary survival.

## **Growing Interdependence**

While the world has become much more highly integrated economically, the mechanisms for managing the system in a stable, sustainable way have lagged behind. Today's much higher level of economic integration and resulting interdependence are in part due to improved communications. When the post-war system of global governance was being conceived and negotiated, television, computers, and international telephone systems had barely been introduced.

The conduct of business, methods of production, tastes, and life-styles have since changed out of all recognition. Contemporary advances in multimedia communications and information processing will contribute even further to the shrinkage of distance and acceleration of change. One remarkable manifestation of this interconnectedness is the spread, at enormous speed, of computer networks such as Internet, which now provide millions of users with instant communication.

The possibilities created by technology have been magnified by the remorseless logic of economic specialization and scale. Trade has consistently grown more rapidly than global output. Capital flows have grown even faster. During the last decade, foreign direct investment has been growing four times as fast as world trade. In some industries--cars, electronics, information processing--production is so globalized that it is no longer possible to pinpoint or measure nationality in any meaningful way. The Ford Motor Company, to cite but one example, has evolved from a predominantly US company with some overseas subsidiaries serving local markets to an integrated operation around regional subsidiaries that in Europe serve the Single Market and that produce a 'world car' through co-ordinated operations.

The last few years have seen a veritable explosion of portfolio investment by institutional investors--insurance companies, pension funds, unit trusts--in 'emerging markets' as stock markets become truly global in reach. People can trade in the world's leading currencies twenty-four hours a day and use a growing variety of financial instruments. In the field of finance, national frontiers have little meaning; 'the end of geography' is approaching.

That all this global economic integration has come to pass is in part a tribute to the relative order and stability of post-war economic governance, as well as to new technologies. Enormous opportunities are being created for societies and individuals to advance. But there are also imbalances and risks.

As economies become more interdependent, it is not only the opportunity for wealth creation that is multiplied, but also the opportunity for destabilizing shocks to be transmitted from one country to another. International co-operation has forestalled or mitigated some shocks (such as action taken after the 1987 stock market crash), but others (the debt crisis of the 1980s, for instance) have been allowed to gather momentum and inflict economic damage and social pain. No satisfactory mechanism exists to anticipate or respond promptly to future global shocks. The International

Monetary Fund (IMF), which should be playing a major role in countering destabilizing shocks, is constrained by limited resources.

Both the dynamism and the instability of the process of global economic integration are linked to the fact that it largely originates in the private sector. Future stability requires that a carefully crafted balance be struck, nationally and internationally, between the freedom of markets and the provision of public goods. The pace of globalization of financial and other markets is currently outstripping the capacity of governments to provide the necessary framework of rules and co-operative arrangements to ensure stability and prevent abuses of monopoly and other market failures. National solutions to such failures within a globalized economy are severely limited.

Yet the structures of global governance required for pursuing public policy obligations in an interdependent world are underdeveloped. The multilateral trade regime of the General Agreement on Tariffs and Trade (GATT), for example, is only just beginning to negotiate agreements on cross-border flows generated by services and information-based industries, though these have been a major phenomenon for a decade. Much is being done to establish new structures of governance at a regional level, as in the European Union, but even this could not prevent the European Monetary System from being severely destabilized by large-scale capital movements.

A further concern is that the integration of markets does not necessarily occur harmoniously. Different systems of commercial law-making, tax, social welfare, bureaucratic decision-making, corporate governance, labour law, and much else have a bearing on how firms compete with those from other countries through trade and direct investment. Without good, clear rules that are widely accepted, there is 'systems friction' based on a sense of unfairness or incomprehension.

Growing economic interdependence brings in its wake freer trade in 'bads' as well as goods. International drug traffic, for example, now dominates the economies of a significant number of countries; it may even be worth more than trade in foodstuffs. Trade--illicit or licit--in arms, waste disposal, and human traffic, as in prostitution, have all become big global businesses.

Governments have learned that command-and-control systems of economic management do not work. But they have yet to develop--especially at a global level--effective, alternative tools of governance. With the agreement at Marrakesh to establish a World Trade Organization (WTO), there is at least the hope that such tools can now be fashioned.

## **Growth and Poverty**

As noted earlier, a sophisticated, globalized, increasingly affluent world currently co-exists with a marginalized global underclass. The post-war system of economic governance has seen--and facilitated--the most remarkable growth in economic activity and improvements in living standards within human history. Despite an increase in population from 2.3 billion to 5.5 billion, per capita incomes on average are now around three times the level in 1950. Many indicators of social progress--infant mortality, literacy, life expectancy, nutrition--have improved significantly, at least in terms of global averages. When Britain became the first country to industrialize in the late

eighteenth and early nineteenth centuries, it took six decades to double living standards; now China, among other countries, is accomplishing the same feat within ten years.

At the same time, people are increasingly aware--through better communication--of the global problem of continued poverty. The number of absolute poor, the truly destitute, was estimated by the World Bank at 1.3 billion in 1993, and is probably still growing. One fifth of the world lives in countries, mainly in Africa and Latin America, where living standards actually fell in the 1980s. Several indicators of aggregate poverty--1.5 billion lack access to safe water and 2 billion lack safe sanitation; more than 1 billion are illiterate, including half of all rural women--are no less chilling than a quarter-century ago. The conditions of this 20 per cent of humanity--and of millions of others close to this perilous state--should be a matter of overriding priority.

The challenge of global development has changed in several respects since it was analysed by, among others, the Pearson and Brandt Commissions. First, the old division between industrial and developing, North and South, is becoming blurred, though there are still some striking imbalances; rich countries account for more than 80 per cent of world trade, 85 per cent of direct foreign investment in the 1980s, and 95 per cent of all research and development. There are different Souths and different Norths, reflecting varied experiences of development and growth, internal disparities of income and opportunity, and different country sizes and economic structures. Although it is a caricature to talk of the Asian development miracle and the African development disaster, for example, these areas have had very different experiences.

Second, there is the fall-out from the ending of the cold war. Russia and other former Communist countries of Central and Eastern Europe have embarked on one of the most ambitious and difficult economic transformations in history. If the process is successful, it will provide a major stimulus to the growth of the world economy. If it fails, the consequences could be catastrophic: a collapse of orderly government in these countries, several of whom still have stockpiles of nuclear weapons.

The challenge posed to global economic governance by this transformation is considerable: the need to incorporate some thirty new countries into global and regional institutions and trading rules; the demand for large amounts of additional official capital to support adjustment and to facilitate private capital flows under conditions where the problems are enormous and largely unprecedented; the dismantling of vast and technically sophisticated arms industries while safeguarding the livelihoods of millions employed in them. It is clear that enormous hardship is being endured by some. But from Eastern Europe and to a lesser degree Russia there are encouraging signs that private-sector growth is beginning to replace a contracting state sector.

One of several wider implications is the end to the 'cold war' of ideas. Instead of polarized and unproductive conflict between opposed ideological systems, there is a much greater degree of consensus on economic policy questions. Some continuing disagreement about the appropriate roles of the public and private sectors is inevitable. But many countries are finding wide agreement on the need to draw in a balanced way on the energies of a profitable private sector, global markets, and competition as well as the need to use the powers of the state to provide security, a regulatory framework for competition, a good environment, and a sense of equity and social cohesion. The painful

experience of getting this balance badly wrong earlier should now facilitate development.

A further change is taking place in industrial countries. They are collectively slowing down, and not just because of the current recession. Various factors are at work, including the ageing of the population and the problems of adjusting to a service-based, post-industrial society. These trends have good and bad implications for developing countries. Positively, there should be less competition for scarce resources, notably capital for investment. But by the same token, low-growth conditions in rich countries mean a weaker demand for goods that developing countries export.

The crisis of unemployment and the associated evils of growing poverty and social deprivation in many industrial countries may also create a political environment where there is less willingness to adjust quickly to new sources of competition. 'Cheap' imports and migrant labour are often made the scapegoat for unemployment.

One of the greatest ironies of the current scene (and, potentially, one of the greatest future dangers) is that just when developing and former Communist countries discover the benefits of liberalization and greater openness, rich countries may turn in on themselves. A central challenge for global governance will be to prevent this dangerous situation from creating new fissures between and within countries.

## **Unused Human Potential**

A major failure of past development in rich and poor countries alike is that very large numbers of people have been unable to realize their potential. Unemployment, discrimination against women or minorities, poor facilities for education or health, slum conditions in crowded cities, and other similar phenomena are found to varying degrees throughout the world. They not only affect the security and well-being of people, they are themselves obstacles to development. Economic policy, however well conceived, does not itself ensure the social progress and better standards of life in larger freedom held out in the UN Charter.

The failure to integrate social policy, in the widest sense, into the economic policy framework has led countries down economically wasteful paths. Western Europe, for example, is losing what a tenth or more of its labour force could produce as it idles in unemployment, with devastating effects on individuals, families, and communities. While the root causes of joblessness persist, support for the unemployed makes ever larger demands on national budgets, creating deficits that compound economic problems. Large numbers of people are pushed out of the work-force to languish on the margins of society.

In Africa, Latin America, and Eastern Europe, underfinanced structural adjustment programmes have often neglected the social implications of austerity measures. Though macroeconomic stability and market liberalization are clearly necessary objectives, the failure to anticipate and counter the severe stresses on society and the cutbacks in long-term investment in human development have set back the long-term prospects for economic progress and weakened political support for continued adjustment.

The most pervasive denial of human potential is found in the discrimination that women suffer world-wide. Society benefits hugely from the economic contribution of women, although this is seldom recognized. Thus, half the world continues to be systematically--though in varying degrees--denied their full rights as human beings, with stultifying consequences for them and at great cost to society, which is denied the many additional contributions they can make. Awareness of these issues was greatly sharpened by the International Conference on Population and Development in Cairo and will be again at the World Conference on Women in Beijing in 1995. There is now wide awareness that gender sensitivity must be introduced into the conceptual, decision-making, and operational stages of all multilateral and government agencies, and in Chapter Five we recommend some ways to achieve these objectives.

Social policy is a matter not only for national but also for global governance. Different societies have different preferences for--among other things--income distribution, welfare provision, cultural diversity, worker protection, and structures of education. None the less, societies increasingly interact and cannot function in isolation. Failures of social development resulting, for example, in involuntary mass migration cannot be confined within national borders. The World Summit for Social Development in 1995 will define more concretely what the priority areas for common action are in the social policy field.

The Human Development Report of the UN Development Programme (UNDP) and UNICEF's 'Adjustment with a Human Face' campaign have helped considerably in bringing social concerns into economic policy. And although the recent Group of Seven (G7) Jobs Summit in Detroit in 1994 had no concrete results, it helped direct attention not just to the plight of the long-term unemployed in G7 countries but to the 800 million or more workers world-wide who live in poverty because of unemployment or underemployment.

## **The Environment**

One of the truly momentous changes of recent years--and a change that could not even have been envisaged by those who designed the post-war global economic system--is the growing awareness of the importance of the physical environment and the extent of the threats now posed to vulnerable ecosystems. This has forced governments to face up to the extent of the interdependence of their countries. The UN system deserves credit for having helped to create this awareness, with the 1972 Stockholm Conference being a seminal event. The 1992 Earth Summit in Rio left an agenda of great political weight.

Growing awareness of global environmental threats has nudged governments into devising co-operative (albeit weak) forms of governance to address the overfishing of oceans, the extinction of certain species, the threat to Antarctica from commercial development, the depletion of the ozone layer, and the risks of climate change caused by the build-up of greenhouse gases in the atmosphere.

Environmental stresses arise from an imbalance between what people consume and what natural systems can provide. Human impact on the biosphere is essentially what people use and waste. Some 80 per cent of that consumption is what is thought of as prosperity--wealth creation and enjoyment by some 20 per cent of the world's people. Those disparities become important when environmental sustainability requires restraint

on consumption at a global level, including greater efficiency in the use of resources, as is the case for carbon emissions.

There is also a strong relationship between environmental stress and poverty. So far the impacts have been localized, such as microclimatic change and flooding resulting from deforestation caused by subsistence agriculture. But there are already examples of large-scale environmental refugee movements--in the Horn of Africa and from Haiti--that have wider implications.

Economic growth and the multiplication of population will eventually create a world economy many times larger than today's. The concept of 'sustainable development' defined by the World Commission on Environment and Development (the Brundtland Commission) provides a framework of policy within which strong growth, necessary to overcome poverty, can be achieved while adapting economic policies to take full account of environmental considerations. Major changes in economic practices will have to occur.

Even then, there will be considerable pressure on some fragile ecosystems, and some scarce environmental resources--such as fish stocks, tropical forests, and watersheds--are currently being used at an unsustainable rate. These will have to be shared and managed equitably to prevent overuse. The high consumption levels of these resources need to be reduced without any slackening of poverty alleviation. The failure to establish a common approach can have disastrous consequences.

## **Global Decision-Making**

At a global level, what model of decision-making should an emerging system of economic governance adopt? It will have to draw on lessons from regional and national levels and from business organizations where inflexible, centralized command-and-control structures have been shown to be unsustainable. Multilayered decision-making systems are emerging that depend on consultation, consensus, and flexible 'rules of the game'. Intergovernmental organizations, however, still face basic questions as to who should set the rules and according to what principles.

One particular challenge is the growing number of countries. Some fifty countries were involved in founding the UN and the Bretton Woods institutions--the IMF and the World Bank. The end of colonialism and, more recently, the breakup of the Soviet empire added many new nations, with the total participating countries now approaching 200. They want not just statehood but a voice in international economic decision-making. Global economic integration and interdependence have to accommodate, and be accommodated in, a post-imperial world of formal political independence.

There is an inevitable tension between the democratic ideal of universal participation and the need for speedy, efficient decision-making, as well as between the respective claims of statehood, population, and wealth. The tension has increased as the number of states has grown while global economic decision-making, far from reflecting a polycentric world, has become concentrated in the hands of the United States, Europe, and Japan--with just over 10 per cent of the world's population.

This concentration of decision-making is reflected in the voting arrangements of the Bretton Woods institutions. Even more important, it is also a factor in the exclusivity of such groups as the G7. And major powers dominate the negotiating processes of GATT, where all parties are nominally equal but actually very unequal. The countries that benefit from these inequalities would never accept such undemocratic arrangements in their own societies, and, in part at least, their economic strength derives from that rejection.

Whatever the democratic legitimacy of current intergovernmental arrangements for global economic governance, a fresh approach to the question is required by the shifting centre of gravity of the world economy. Taken as a whole, developing economies have been growing more rapidly than Western industrial ones during the last three decades, with Asian developing countries growing much more rapidly. The share of output accounted for by members of the Organisation for Economic Co-operation and Development (OECD) has shrunk to barely half, once we take account of the underlying purchasing power of economies measured at comparable prices. The world's ten biggest economies on a purchasing power parity basis include China, India, Brazil, and Russia, with Mexico, Indonesia, and the Republic of Korea not far behind.

Yet none of these participate in the Group of Seven, all are under-represented in terms of votes in relation to their population and economic weight in the Bretton Woods institutions, and China and Russia are not yet members of GATT. It is a matter of common interest that the major players in the global economy be fully involved in decision-making on common problems.

But in focusing on intergovernmental relations, it is necessary to bear in mind that the traditional role of nation-states is evolving. There are powerful forces making for greater decentralization of decision-making. Nationally centralized, top-down systems, exemplified by the former Soviet Union, have collapsed. Large states are under growing pressure to decentralize to provinces and local government just as companies are having to devolve management responsibility. In areas such as Western Europe where stronger regional institutions are being created, there is a vigorous debate about 'subsidiarity'--the allocation of responsibilities to the lowest level appropriate among global, regional, national, and local authorities. Global economic governance has to recognize this diffusion of decision-making, while acknowledging that there is still a compelling need for an overall framework of rules and order.

## **The Case for Multilateralism**

Historically, global governance has occurred without global institutions. The nineteenth century was a time of deepening integration and unprecedented expansion of trade, investment flows, and migration of people. Some world-wide governance was partly provided by the exercise of dominion through empires, especially Britain's. It was politically stable, but it lacked consent and was ultimately unsustainable. It also depended heavily on self-regulated markets that were prone to crisis, drawing states into more active management of their economies. This in turn contributed to destructive economic nationalism and indirectly to the major twentieth-century conflicts.

There is no case and no call for a return to a system like that of the nineteenth century. Without strong international rules, however, the most powerful countries will act

unilaterally, or try to control the system, which makes rules-based processes all the more crucial. Migration, for instance, is one area where policy is overwhelmingly unilateral. No desirable system of governance can be based on the capacity of strong nations to coerce weaker ones, which is the inevitable consequence of the unilateral projection of power in economics as much as it is in the military sector.

The rules and sense of order that must underpin any stable and prosperous system can be described as international 'public goods'. It is in their nature not to be provided by markets or by individual governments acting in isolation.

Most governments accept responsibility for the provision of public goods such as policing and justice, financial stability, or environmental protection; to do otherwise would be to abandon essential functions of a state. The same responsibility applies--but is less readily acknowledged--at an international level. Among the basic international public goods that global economic governance should provide are:

- systemic financial stability: a stable monetary system, a capacity to deal with major systemic slumps and shocks, and prudential regulation of international financial markets;
- the rule of law: for an open system for trade, technology transfer, and investment, with mutually acceptable dispute settlement machinery;
- infrastructure and institutions: common standards for weights and measures, time, and many technical specifications, and agreed systems to manage and maintain freedom of the seas and commonly used networks for aviation and telecommunications;
- environment: through protection of the global commons and the required framework of policy to promote sustainable development; and
- equity and social cohesion: through economic co-operation in its widest sense, including international development assistance and disaster relief.

The growing interdependence of the global economy and environment increases both the benefits of providing these international public goods and the penalties for neglecting them. None the less, some governments are reluctant to accept the sharing of national sovereignty that must occur for strong multilateral rules and institutions to function. The struggle to place GATT rules above unilateral trade policy, the marginalization of the IMF from the management of the international monetary system, the continuing struggle to maintain and increase flows of concessional resources through international institutions, and the virtual exclusion of the UN from a central role in the field of global economic governance: all these attest to this reluctance.

### **Regionalism and Informal Multilateralism**

A workable system of international economic governance is not solely based on global arrangements. Many tasks can be carried out between neighbours. So far, only the European Union has created both a durable system of regional trade liberalization and a strong commitment to political co-operation, but others may well follow. Regional integration is currently receiving much attention elsewhere, especially in the Americas and South-east Asia, though it has made little progress in Africa and South Asia.

Some issues are best dealt with regionally rather than globally (localized spillovers of pollution, for example). Regional economic groups can also contribute to burying historic enmities through developing closer economic and political linkages, realizing economies of scale, developing common infrastructure, and pioneering new methods for deepening integration in advance of progress at the global level. As noted, the concept of subsidiarity being vigorously debated in Europe provides a framework for allocating responsibilities between institutions of global, regional, national, and local governance in an efficient way.

For regional institutions to form building blocks for global economic governance rather than exclusive 'blocs', they should also be open--both in offering membership on the same terms as existing members and in regard to market access. There is a fine line between the degree of exclusivity needed to create a regional identity and that which creates division. The European Union has many features of openness, especially now that it is being enlarged; but some other features, such as the Common Agricultural Policy, are protectionist and divert trade. The advocates of 'fortress' Europe are a minority, but they are not insignificant. Although regional arrangements can strengthen global economic governance, the wrong kind of regionalism can weaken it.

Much governance can and does informally take place through groups of countries such as the G7, the OECD, or the Commonwealth. The G7 is a significant development and its role is discussed further later. The OECD has played a major role in developing principles to govern the behaviour of international investment, environmental management, and export credit. And it is now reaching out to a wider number of countries through enlargement and dialogue.

Several functional, specialist institutions should also be mentioned, such as the International Telecommunications Union (ITU), the International Maritime Organisation, the Bank for International Settlements (BIS), and the Paris Club. ITU has responsibility--now shared with GATT--for creating a regime of global governance for the rapidly expanding, interconnected network of telecommunication, multimedia, and information technology systems. BIS provides the world's financial system with an underpinning of co-operative supervision. In these quiet, unspectacular ways, a system of global governance is being put in place, albeit on a piecemeal basis.

Global governance is not, however, only a public sector activity. Multinational companies account for a substantial and growing slice of economic activity. Some centrally important industries--notably the complex of activities variously described as telecommunications, information, or multimedia; automobile production; banking and other financial services--are being developed largely through private companies that operate on a multinational basis. Their concerns are necessarily with the totality of their business operations rather than with any one country. We discuss later in this chapter the checks and balances that have to be established to ensure that business operates, at a global level, within a wider framework of social responsibility.

Finally, there is what might loosely be called international civil society including non-governmental organizations (NGOs), international humanitarian agencies such as the Red Cross and Red Crescent, voluntary rule-making bodies such as the International Standards Organisation, and groups of scientific professionals such as the International Council of Scientific Unions.

These structures often have the great merits of flexibility, responsiveness, and enthusiasm. They will rightly play a growing role in governance. They can, however, become self-electing and exclusive. Fewer than 15 per cent of NGOs registered with the UN Economic and Social Council (ECOSOC) are from developing countries. Although NGOs are of inestimable value in establishing governance in the widest sense, they cannot be expected to substitute for effective intergovernmental structures.

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