

Global Governance

*Our responsibility to make
globalisation an opportunity for all*

One year later

An update of the report to the Bishops of COMECE

Introduction

One year after the terrorist attacks in the United States a diffuse feeling of uncertainty persists around the world, and the US-led struggle against international terrorism continues to dominate the international policy agenda. However, the shock of 11 September has not brought a halt to the process of globalisation as some had predicted; rather, it has highlighted the challenge to make it an opportunity for all.

In summer 2001, when we finished our report to the Bishops of COMECE on Global Governance, it was impossible to foresee this atrocious act of terror or its political and economic consequences. Therefore, we decided to review our report to see whether any of our analysis or recommendations needed changing. We found that one year on the analysis and the key recommendations for improving the governance system of our globe still hold. If anything, the suggestions contained in the report have become even more important today.

Since September last year, there have been a number of encouraging signs of the international governmental community taking responsibility, some of which correspond to the recommendations contained in our report. They include the successful launch of a new multilateral trade round that seeks to give special emphasis to the needs of developing countries, the commitment of the rich countries to increase official aid flows to poor countries, the emerging new partnership for development in Africa and the reinforced commitment to make progress towards global sustainable development based on the principle of common but differentiated responsibility.

Since its publication we have had the opportunity to discuss the report with a number of political decision-makers, journalists and non-governmental groups, including church-linked organisations such as Justice and Peace Commissions and the representatives of the International Co-operation for Solidarity and Development (CIDSE) network.

Against this background we agreed to issue this update. Like the report it is addressed in the first place to the Bishops of COMECE. Its purpose is to review the results of major international events and conferences that have taken place in the past year and to take into account the constructive criticism of the report that has been shared with us.

A) The proposals of the report in the light of recent developments

The report contains a number of concrete proposals with a view to improving the living conditions around the world and to strengthening the international institutional architecture of the global governance system. In addition to our key recommendation to create a Global Governance Group (3G) (§§ 65 ff.), we have made concrete proposals to this end, inter alia:

- sustained levels of official development assistance to poor countries (§ 13);
- the evolution of a new development paradigm inspired by ethical values, clearly focused on reducing poverty and based on shared responsibilities between North and South (§ 32);

- the launch of a new round of multilateral trade negotiations (§ 53), the development of a multilateral investment regime (§ 55) and the establishment of a global competition body (§ 56);
- an enhanced role for the International Labour Organisation (ILO) (§§ 59 ff.);
- the strengthening of the UN's environmental policy arm or preferably the creation of a veritable World Environment Organisation (WEO) (§§ 61 ff.).

It is a sign of hope and encouragement for us that there has been important progress on some of these proposals since last year. Mindful of the shortcomings in the outcomes of the meetings listed below, we note also that much still remains to be done.

- ***WTO Ministerial Meeting, Doha, Qatar, 9-14 November 2001***

Ministers at Doha agreed to launch a new comprehensive round of trade negotiations, giving special attention to developing country needs. The work programme of the so-called Doha Development Agenda (DDA) addresses inter alia tariffs on commodities, barriers to trade in services, agriculture, the protection of trade-related property rights (TRIPS) etc. Additional negotiations on investment and competition policy are envisaged for the 2003 Ministerial Conference in Mexico. A special focus is given to developing countries. WTO member governments have made new commitments on technical co-operation and enhanced capacity building. The negotiations are conducted in the framework of a single undertaking and can only be concluded if agreement on all the agenda items has been found. In order to avoid a protracted process, 1 January 2005 has been fixed as the deadline for the completion of the negotiations. Both developed and developing countries are expected to benefit substantially from lowering barriers to trade, even among themselves. Yet the industrialised countries, in particular the EU, the US and Japan carry a key responsibility for the success of the DDA. The granting of Trade Promotion Authority (TPA) by the US Congress to President Bush has been an important step towards re-establishing the US Administration's pro-trade credentials after a number of recent protectionist measures, including the introduction of tariffs on steel imports to the US and the rise in agricultural subsidies. The granting of TPA gives an important boost to the negotiation process because it prevents the US Congress from ex post modifications of trade deals agreed by the Administration in the context of the DDA negotiations. Much will also depend on the EU's ability to revise its Common Agricultural Policy and reduce its negative impact on developing countries.

- ***International Conference on Financing for Development, Monterrey, Mexico, 21-22 March 2002***

The EU and the US have started to stem the decade-long declining trend in the level of official development assistance to poor countries. On the occasion of the conference, they agreed to increase official development assistance (ODA) by some US\$ 15 billion. In terms of Gross National Product the EU has agreed to increase its aid flows to poor countries from the current level of 0.33 percent to 0.39 percent by 2006. Perhaps more importantly, the Monterrey conference contributed to the emergence of a new partnership between developed and developing countries based on shared opportunities

and responsibilities ("Monterrey Consensus"), which will be an essential step in making progress towards the Millennium Development Goals.

- ***The formation of the African Union and the New Partnership for Africa's Development***

A new generation of leaders is sparking new hope for the people of Africa to make headway towards democracy, the respect of human rights, sound economic management and, above all, peace and security. Replacing the former Organisation of African Unity, the African Union was established in July 2002. Its objective is to foster continent-wide economic integration and political co-operation. Key features of the new organisation, which is inspired by the experience of the European Union, are that relevant domestic policy issues are regarded as a matter of common concern, that a peer-review mechanism is being established to encourage progress towards Africa's development objectives and that member countries hold each other accountable. The New Partnership for Africa's Development (NEPAD) unites two major initiatives geared towards reviving development of the African continent in the 21st century. Being a comprehensive and integrated work programme for Africa's future, it aims at addressing key social, economic and political priorities in a coherent and balanced manner. It aims to accelerate growth and spur sustainable development in Africa, reduce widespread and severe poverty and to halt and reverse the marginalisation of Africa in the globalisation process. In contrast to earlier initiatives for Africa, NEPAD is driven by the motivation that the prime responsibility for Africa's future lies with Africa itself. However, the challenges faced by the peoples of Africa are formidable, and international support will be essential to seize the unprecedented opportunity to make progress on the globally shared goals of reducing poverty and achieving sustainable development for all.

- ***G7/8 Summit, Kananaskis, Canada, 26-28 June 2002***

At their annual summit leaders of the G8 countries adopted an Action Plan in support of the New Partnership for Africa's Development. It comprises a number of commitments, including the setting-up of enhanced partnerships with African countries that are seeking to meet the NEPAD standards and the allocation to Africa of "half or more" of the new aid pledged at the 2002 Conference on Financing for Development (Monterrey). In the spirit of NEPAD, the Action Plan is based on the principle of shared responsibility and mutual respect. Also, the G7 partners agreed to provide up to US\$ 1 billion to fund the shortfall emerging in the Trust Fund for the highly indebted poor countries (HIPC). In addition, the heads of government requested that international financial institutions' (IFI) forecasts of debt sustainability are made on the basis of prudent assumptions about growth and exports, in order to ensure their ability to pay back remaining debt at the time when they graduate from the programme. Moreover, with a view to the Millennium Development Goal for education, the heads of government called on bilateral and multilateral donors as well as developing country governments to increase their investment in the education sector.

In the wake of the summit, donor countries agreed on a new three-year plan to fund the World Bank's International Development Association (IDA), which provides assistance to the 79 poorest countries. Approximately US\$ 23 billion in resources will be made available during the three years, representing an 18 percent increase compared with the amount provided in the previous replenishment. Policy priorities under the new IDA work programme include improving the quality of and access to basic education for the poor, creating an enabling environment for gender equality, strengthening the fight against the spread of communicable diseases, fostering good governance, supporting the creation of a healthy investment climate as a basis for private sector development and taking into account the environmental dimension of IDA operations. It is envisaged that about half of IDA resources should be directed to Sub-Saharan Africa, and some 20 percent will be delivered in form of grants.

- ***World Summit on Sustainable Development, Johannesburg, South Africa, 26 August – 4 September 2002***

At the World Summit on Sustainable Development (WSSD) the international community adopted an implementation plan to reconcile global environmental pressures, social needs and economic ambitions. Elements of the plan include the objective of halving the number of people without access to basic sanitation by 2015, thus complementing the already existing Millennium Development Goals concerning health and the environment; the conservation and restoration of the oceans' fish stocks; and a substantial increase in the amount of energy generated by renewable resources. To illustrate the basic sanitation commitment it is worth noting that in effect this means that an average of 400 000 people per day should be provided with access to basic sanitation between now and 2015. Reconfirming earlier commitments, the participating governments also agreed to reduce significantly the loss of species and to enhance the protection of the world's bio-diversity. With a view to the ongoing negotiations at the WTO, the political declaration - one of the concluding documents of the summit - includes the promise to phase out agricultural subsidies, which tend to harm both developing countries and the environment. The constructive role played by many private sector representatives was an important feature of the summit. Corporate commitment to public-private partnerships for development will be essential for their success.

In the margins of the conference a number of countries, including Canada, China, Estonia and Russia announced that they had ratified the Kyoto Protocol or were about to do so. As a result the first global scheme to curb the emission of CO₂ around the world is now likely to come into force, despite the absence of the US. It is also worth mentioning that in the run-up to the summit, donor countries agreed to the largest-ever replenishment of the Global Environmental Facility (GEF). Jointly run by the United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP) and the World Bank, the GEF is the designated financing mechanism in support of the global environmental agreements that emerged from the 1992 Rio Earth Summit, notably on bio-diversity, climate change, persistent organic pollutants, desertification, the ozone layer and international waters. Topped up by additional

voluntary contributions in Johannesburg, the replenishment of the fund now foresees a total of US\$ 3 billion for GEF operations over the next four years.

Despite these important and promising developments, it is deplorable that institutional aspects essentially played no role in the agenda of the WSSD. The fragmentation and weakness of the environmental dimension of the global governance systems persists. Therefore, we repeat our urgent call for a comprehensive overhaul of the UN's environment pillar, or preferably the creation of a veritable World Environment Organisation capable of complementing multilateral decision-making in the fields of trade and finance.

Other important developments over the last twelve months include the successful launch of the Global Health Fund to enhance the international battle against the spread of HIV/AIDS, tuberculosis and malaria in poor countries, and the establishment of a high-level World Commission on the Social Dimension of Globalisation at the ILO in order to understand better the social aspects of globalisation and to design a strategy for the ILO to play a more significant part in the international governance system.

However modest, the above-mentioned events, decisions and activities give witness to a broad-based international effort towards improving the living conditions on this planet, in particular for the poorest. However, they fall significantly short of the challenge of global governance posed by an increasingly integrated and interdependent world. The fragmentation of the system, its inconsistencies and important gaps persist. Therefore, we reiterate with increased urgency the central recommendation of our report to create a Global Governance Group. As outlined in detail in the report (§§ 65ff.), we hold the view that the establishment of such a group at the level of heads of government is indispensable to ensure a minimum of coherence in the system and of the necessary co-ordination among its major actors. In this respect we welcome and support the proposal of Jacques Chirac to convene an Economic and Social Security Council after the forthcoming G8 summit in Evian in June 2003*.

B) How the report was received

Addressed to the Bishops of COMECE, the report was also circulated to and discussed with a number of politicians, NGOs and journalists. The wealth of feedback received by the COMECE secretariat highlights the relevance of the topic.

* *Extract from the speech of Jacques Chirac, President of the French Republic, to the ambassadors of France, 29 August 2002: "À Évian enfin, nous renforcerons la relation du G8 avec le reste du monde. J'engagerai dès cet automne des consultations en vue d'accueillir, à la suite du sommet, une rencontre d'un type nouveau, rassemblant aussi des pays émergents et des pays pauvres. Nous évoquerions ensemble les problèmes que nous avons en commun, et d'abord les formes de la gouvernance mondiale. Je pense en particulier à la constitution d'un Conseil de sécurité économique et social qui serait l'instrument de notre maîtrise politique de la mondialisation."*

- ***A Global Governance Group gives too little power to the poor***

One set of criticisms concerned the key proposal of a *Global Governance Group* (§§ 65-68). Representatives of Commissions for Justice and Peace and the CIDSE network, for instance, regretted that the proposed selection mechanism for membership of the Global Governance Group would not allow for an adequate representation of the poorest countries. Some also brought forward a more general distrust regarding the creation of a group based on the mechanism prevailing in the Bretton Woods Institutions, which were held partly responsible for the growing plight of the poorest in the world.

In our view the mechanism in place in the international financial institutions (IFI) has generally proved highly effective in terms of striking a constructive balance between, on the one hand, the legitimate objective of broad-based participation and, on the other, the need to achieve workable compromises swiftly and to maintain the financial strength of the IFIs without which they cannot successfully fulfil their roles of transferring financial resources to developing countries. Moreover, the authors wish to underline that our proposed design of the 3G should not be considered as an unchangeable blueprint for how the world should be run. Against the background of the group's collective experience, our proposal presents a workable concept to address effectively the weaknesses in the existing governance system. However, it may not be the only way to achieve this objective, and other proposals are welcome.

The authors do not share the view of those who blame the IMF and the World Bank for being responsible for the state of poverty in the world. Strong rather than weak international organisations, including the international financial institutions, are cornerstones of any global governance system. The report reviews in detail the role and responsibility of the respective actors, including national states and governments, non-governmental actors and multilateral governmental organisations (§§ 31 ff., 45 ff.) It furthermore acknowledges the reforms recently undertaken by the latter (§ 54).

- ***Too much emphasis on trade***

Some criticised the report for being uncritically pro-trade and too optimistic in its assessment of the potential benefits of a new multilateral trade agreement for poor countries. There can be no doubt that developing countries are confronted with a number of difficult challenges in order to realise fully the potential benefits of increased trade liberalisation, including insufficient institutional capacity, which need to be addressed in parallel to the ongoing negotiations. One should also bear in mind that the changes in relative prices associated with a liberalisation of trade in agricultural products may have negative implications for those poor countries that are net importers of agricultural products because they tend to benefit from the distortions of the current system. These effects need to be addressed in parallel, for example through enhanced, well targeted aid. But for developing countries seeking to accelerate economic growth and to make sustained progress in their efforts to reduce poverty levels, we see no possibility other than enhancing their participation in the international economy.

Moreover, multilateral negotiations held under the auspices of international organisations based on treaties rather than bilateral approaches are the best mechanism to reduce the risks of unilateral or bilateral action by more powerful countries, to ensure the creation of a rule-based system and the protection of the interests of the weaker partners.

- ***Too little emphasis on human rights and international security***

Several discussants rightly pointed out that the respect for human rights as well as international security issues were not addressed in the report although they were central to the objectives of a global governance system. The focus of the report solely on economic, social and ecological issues and their institutional aspects was intentional, in order not to overburden the agenda of our work and to arrive at a meaningful result in the given time (see § 2). Notwithstanding the limited scope of the report, it refers to the principle of human dignity, which is at the root of human rights (§§ 26ff.). Also, we are convinced that on the whole our proposals are supportive of improving respect for human rights and enhancing the international security architecture.

- ***Government biased recommendations***

A number of discussants criticised the report for being government biased, giving too little consideration to the role of international civil society, i.e. the community of NGOs active at international level. Some argued that this bias was also reflected in the composition of the ad hoc group that drafted the report. The group nevertheless discussed at length the role of NGOs in the global governance system, and the report makes reference to their important functions (§ 46).

Still, we think that it remains very important to deepen the discussion about the specific role of NGOs in regard to global governance and to explore effective ways of having their voice heard at the institutional level. For example, a formal system of accreditation for NGOs might be developed in order to give them a consultative role in a system of global governance. However, taking into account the limits to the legitimacy of topical and sometimes single-issue NGOs, they should not have a direct role in decision-making or formal control of executive bodies. This should be done by democratically-elected bodies.

The *ad hoc* group that prepared the report was selected by the COMECE Secretariat, in the attempt to elaborate a distinctively European perspective on a universal issue, based on the contributions of experienced actors in international co-operation and academics. While some NGO representation in the group might have been helpful, the discussions with NGOs held in Brussels gave evidence of a broad consensus regarding the relevance of the global governance issue and on the need to tackle it in an urgent and effective way. This common point of view should not be overshadowed by some disagreement on how practically to form a legitimate, representative and effective Global Governance Group. Hence, the *ad hoc* group members feel that the contents of the report, in its current form, can be a fruitful basis for further debate within the political realm and in society at large.

Conclusion

We should like to encourage bishops in Europe and in other parts of the world to take a more active stance in the debate on global governance. Links could be established between Church initiatives on different continents, different Church-based networks could be brought together and ecumenical and inter-religious dialogue on these issues could be reinforced. The fortieth anniversary of the papal encyclical *Pacem in Terris*, which inspired our own report, will be celebrated in 2003. This anniversary offers a good opportunity for the Church and its members to become more involved in one of the most important debates of our times, to act according to their vocation and to promote the fundamental unity of the human family.

Brussels, 30 September 2002

Annex

COMECE ad-hoc Group on Global Governance*

Members of the group

Michel Camdessus, former Managing Director of the International Monetary Fund, Paris (chairman of the group)

Rudolf Dolzer, Professor for International Law, former Director General in the Office of the Federal Chancellor, Bonn

Michel Hansenne, Member of the European Parliament, former Director General of the International Labour Organisation, Brussels

Onno Ruding, Vice-Chairman of Citibank, President of UNIAPAC and former Dutch Minister of Finance, Brussels

Peter Sutherland, Chairman of BP plc, former European Commissioner and former Director General of GATT and the WTO, London

Paul Trân van Thinh, former chief negotiator of the European Community at the GATT/WTO, Geneva

Simona Beretta, Professor for international economic and financial organisations, Milan

Franz Eckert, Adviser for European Integration, secretariat of the Austrian Bishops' Conference, Vienna

Reinhard Felke, Administrator in the European Commission, Brussels

Flaminia Giovanelli, Pontifical Council for Justice and Peace, Rome

Charlotte Kreuter-Kirchhof, Assistant Professor of International Law, Bonn

Stefan Lunte, Assistant Secretary General of COMECE, Brussels (secretary of the group)

Matthias Meyer, Head of the Public Policy Department in the secretariat of the German Bishops' Conference, Bonn

Noël Treanor, Secretary General of COMECE, Brussels

* The views expressed in the text are personal and should not be attributed to institutions or companies to which members of the group are related.