



## University of Massachusetts Boston

Center for Governance and Sustainability  
At the University of Massachusetts Boston

### **Readers' Guide: Global Redesign Initiative**

[www.umb.edu/gri](http://www.umb.edu/gri)

#### From Traditional Governance to Global Governance through the Eyes of GRI

As of November 15, 2012

Prepared by Harris Gleckman, ([readersguideumb@gmail.com](mailto:readersguideumb@gmail.com))  
Senior Fellow at the Center for Governance and Sustainability at the University of Massachusetts Boston. Gleckman was a staff member of the UN Centre on Transnational Corporations, the United Nations Conference on Trade and Development, and Financing for Development Office of the UN Department of Economic and Social Affairs. In addition to his affiliation with UMass Boston, he is a director of Benchmark Environmental Consulting and an adjunct faculty member at the University of Maine Law School and Ramapo College in New Jersey.

## **From Traditional Governance to Global Governance through the Eyes of GRI**

Current diplomatic practitioners have a state-centric view of global governance. This is not so surprising given that a good number of these practitioners are employed by governments or by international organizations which are themselves governed by nation-states. Most other practitioners in the intergovernmental world are employed by civil society organizations, business associations, think tanks, and development-related bodies. These non-state practitioners tend to focus their attention on one specific intergovernmental organization or one specific category of global problems, each of which tends to keep them with a state-centric frame of reference.

Similarly, those who study international relations have traditionally taken a fundamentally state-centric approach, looking at bilateral and multilateral relations and international organizations as the prime institutional components of the international system.

WEF's approach is different. It sees the existing global governance system as a combination of the formal international state-centric system, with its treaties and international organizations, with a complex of less formal decision-making alliances that are largely operated by international firms. Growing out of this different perspective, WEF identifies a different set of challenges for the governance of globalization.

This section of the Readers' Guide looks at how the current international system addresses core functions of the global governance systems using GRI's analytic framework. For each area of traditional governance, there is a summary of the major features of the current formal intergovernmental system and the allied processes of the informal global governance system. There is then an overview of WEF's recommendations for combining parts of the formal system with the largely corporate-led, unofficial system.

Each section concludes with a list of global issues, processes, and concerns that are not explicitly addressed by the GRI's proposals. These omissions can be illustrative of the strengths and weakness of GRI's global governance approach. They can also provide an opportunity to explore a different take on the fundamental design principles and the selection of issues.

Important global governance debates are occurring in all international institutions and in all global problem areas. These governance debates raise important issues in their own right. All of these governance conflicts have a direct relevance to the effective delivery of services on a global scale. Many of them relate to the particular history of the leading international organization in a given sector. These sector governance debates tend to address how the leadership is selected, how the governing bodies make decisions, and how the organization relates to civil society and the international business community. Some of these sector governance challenges might appropriately be re-examined in light of wider global governance debates, particularly those raised by the World Economic Forum's Global Redesign Initiative.

Any new global governance system is going to be built out of the existing order. The recommendations in *Everyone's Business* are just one conceptual and practical plan to make significant changes. There are other possible approaches. Some argue that the traditional state-centric model may only appear to be weak now, but that it can be recuperated by acts of political will or a crisis and once again lead effectively a globalized world. Some may share GRI's analysis of the ills of the current system but arrive at different institutional conclusions; others may not share GRI's premises but arrive at quite similar institutional recommendations; and some may differ fundamentally with GRI's analysis and its redesign plan and consequently propose quite different principles and arrangements for global governance.

The purpose of this Readers' Guide classification of international governance structures is to facilitate a way of seeing the separate components of the international system as part of a larger system of global governance. There are other ways to categorize the existing components of international governance. Some readers may well prefer an alternative approach.

## Aligning Values and Governance Structures

GRI recognizes that many “who inhabit the global economy are all too prone to treat matters of human dignity and security as outside their legitimate purview.”<sup>1</sup> GRI's observation identifies a significant tension for WEF's aspiration to engage corporate executives explicitly in the formal governance system. MNC executives have an extraordinary depth of knowledge of the global communities through which they relate to potential customers, workers, investors, or clients. Outside of these market-based realities, they tend to be very restricted in their knowledge of global issues, making them less able to be effective global political managers. One GRI proposal to overcome this deficit is to have corporate executives take a modified version of the Hippocratic oath.

Selecting the image of the Hippocratic Oath as the new model for an ethical standard for global corporate governance leaders is interesting. At its simplest level, the Hippocratic Oath is understood to mean that medical doctors should at the very least ‘do-no-harm’ to their patients. The direct transformation of this pledge to the business community would simply not be acceptable in the corporate world, as a good deal of legally acceptable business practices can do ‘harm’ to the environment, to workers, to customers, and to those unable to afford basic goods.

The text of the classic Greek Hippocratic Oath has a number of other ethical elements that are even less likely to be acceptable to the business community. The [classic Greek Oath](#) expects its adherents to share their professional knowledge with their teachers and the children of their teachers for free,<sup>2</sup> to refuse to provide a deadly drug to anyone,<sup>3</sup> to remain free of all intentional injustice and mischief,<sup>4</sup> and to agree to not spread abroad any personal information.<sup>5</sup> All of these aspects of the original Hippocratic Oath would be difficult for contemporary corporate leaders to accept. GRI therefore has called for a modified version of the Hippocratic Oath. The Global Agenda Taskforce on Faith and the Global Agenda Task Force on Values did seek to align religious values with the ethical standards for effective global governance, but in the end WEF chose to ask its Young Global Leaders to write a [new corporate ethical oath](#).

Over the past 30 years, a number of specifically corporate-oriented codes of conduct have been developed by diverse groups of stakeholders.<sup>6</sup> Some express broad-based set of ethical principles for working in the world today, some articulate solutions to specific corporate practices, and some codes set standards for business disclosure in specific countries and regions (e.g. fragile states, authoritarian countries). At the intergovernmental level, there are multilaterally agreed-upon statements that could easily provide a moral foundation for a modified corporate Hippocratic Oath (e.g. [Universal Declaration of Human Rights](#), the [Rio Principles](#), the [UN Guiding Principles on Business and Human Rights](#), or [Millennium Development Goals](#)). GRI does not call for the widespread recognition of any of these stakeholder ethical guides or any intergovernmentally adopted normative statements. This lack of reference to existing intergovernmental, agreed-upon value statements is inconsistent with [GRI's Tool One](#) that calls for “extending intergovernmental norms and legal frameworks.”

The GRI does break ground by recognizing the moral gap in the thinking of corporate executives. This recognition features prominently in [Step Five](#). This step calls for “. . . cultivating a shift in values within societies and professions grounded in a deeper appreciation of the implications of global interdependence . . .” Unfortunately, in proposing a way to close this gap, GRI chooses to ignore prior efforts by other non-state Actors and intergovernmental bodies which have formulated specific business standards and ethical principles.

Details on GRI's views on the alignment of ethics to the new global governance system are in the co-chairs' introductory essays, in the reports of their Global Agenda Council on Faith; the Global Agenda Council on

Philanthropy and Social Investing; the Global Agenda Council on Values; the Young Global Leaders Oath Project Task Force; and the Partnering Against Corruption Initiative and in Professor John DeGioia's essay.

Related Ideas : [Civic culture not robust enough](#); [Sense of ownership by non-state actors](#); [The Oath](#); [Bribery](#); [Shift in Values](#); [Tool One](#)

1. GRI, pg 28

2. "... to hold him who has taught me this art as equal to my parents ... and to regard his offspring as equal to my brothers and to teach them this art." English translation of the classic version of the see Hippocratic Oath on wikipedia.org (see [http://en.wikipedia.org/wiki/Hippocratic\\_Oath](http://en.wikipedia.org/wiki/Hippocratic_Oath)).

3. "... I will neither give a deadly drug to anybody who asked for it, nor will I make a suggestion to this effect...", and, "... I will apply dietetic measures for the benefit of the sick according to my ability and judgment; I will keep them from harm and injustice..." Hippocratic Oath.

4. "... What I may see or hear in the course of the treatment or even outside the treatment in regard to the life of men, which on no account one must spread abroad, I will keep to myself, holding such things shameful to be spoken about." Hippocratic Oath.

5. "... What I may see or hear in the course of treatment or even outside of the treatment in regard to the life of men, which on no account one must spread abroad, I will keep myself holding such things shameful to be spoken about." Hippocratic Oath

6. WEF did not need to re-invent the wheel. Corporate codes are also available from religious communities such as Bob Hinkley's Code for Corporate Citizenship, Church corporate ethical associations (e.g. those from the Interfaith Center on Corporate Responsibility), and from the business community (e.g. the Equator Principles).

## Missing Values and Principles

The democratic deficit in developed and developing countries is one key element of the loss of legitimacy by governments and the international system. Rectifying the democratic deficit at the international level is particularly difficult. The strongest democratic procedures and principles at the international level are the one-country-one-vote principle and the procedural rule books that protect the rights of smaller states in the UN.<sup>1</sup>

As governments were finishing the [UN Charter](#), they realized that it needed a good, strong preface. The famous "We the People" opening was therefore not a guiding concept in the UN Charter. To foster democracy on a world scale, it needs to be a central, aspirational goal in the planning process, not an afterthought.

Nation-states assert that Westphalian authority gives their foreign offices 'authority' to speak for all their citizens. Nation-states, even democratic ones, extended the same sovereign legitimacy to other states, even those with authoritarian or a centralized monarchical government. With the widening of recognized Actors in international affairs, the claim of ministries of foreign affairs or departments of state to represent all citizens in one country has fallen by the wayside. The recognition of an '[International civil society](#)' has given some national citizens an independent political space to speak in global affairs quite distinct from that which they have as citizens, represented by their minister of foreign affairs or secretary of state.

In a similar manner, the evolution of '[multinational corporations](#)' gave these actors a regional or global political terrain to have an independent viewpoint on global issues, even when they are legally in existence only in one nation-state. WEF bases its recommendations for a new form of global governance on the recognition of the independence of both categories of these stakeholders from their national 'citizenship.' It does not, however, address how these individual corporations or leading civil society organizations have legitimacy to speak for their 'constituencies.'

There are now clearly other communities, such as those of indigenous peoples, of non-human living species, and ecosystems, which are not even theoretically represented in the 'nation-state' or the newer 'non-state Actors' groups, that could well be included in any contemporary new governance system.<sup>2</sup>

1. Even this minimal democratic goal is undermined by the P5 veto in the Security Council and the use of unanimous decision-making - not majority or super-majority decision-making - in most intergovernmental bodies.

2. See for example the Rio+20 proposal for a High Level Representative for Future Generations.

## Managing Financial Globalization

Managing the global financial economy, or, rather, the failure to manage the global economy, was one of the key drivers for the creation of the Global Redesign Initiative. In modern history, international crises have spurred these kinds of discussions. During WWII, the US and UK governments began to focus attention on how to stabilize the post-World War II international economic system given the consequences of the Great Depression. These negotiations lead to the creation of the World Bank, the IMF, and GATT (now the WTO), and they almost lead to establishment of the International Trade Organizations based on the [Havana Charter](#). Now, as then, monetary, trade, and economic relationships remain central to international relations, second only perhaps to military force and related interventions in international politics.

This section of the Readers' Guide looks at the structure of the existing official arrangements of financial institutions, the de facto informal arrangements of international financial governance, and the proposals advanced by the GRI to re-align these arrangements. It also looks at some of the key elements of international financial architecture that have not been included in GRI's recommendations.

The current official system for managing financial globalization consists of:

1. A special global bank which, amongst other things, can provide loans to nation-states and issue a global currency (the IMF);
2. Ad hoc alliances between national/regional central banks (e.g. the [Federal Reserve](#), the [Bank of England](#), the [European Central Bank](#), the [Bank of Japan](#));
3. International monetary and financial policy coordination bodies centered in Basel, Switzerland ( e.g. the [Financial Stability Board](#), [Bank for International Settlements](#), [International Association of Insurance Supervisors](#), [International Organization of Securities Commissions](#));
4. A coordination and policy forum for heads of 'major' governments, their ministers of finance, and central bankers (e.g. G20);
5. Regional bodies with a monetary and/or a financing ambit; and
6. Periodic meetings at the United Nations (the [Financing for Development Dialogue](#), special panels convened by the President of the General Assembly, and the Annual ECOSOC Dialogue with the BWIs, WTO, and UNCTAD).

The de facto informal governance system for managing financial globalization consists of:

1. A network of global, full-service banking institutions and specialty, niche financing institutions;
2. A semi-private network to move assets between these private banking institutions (i.e. check clearing service, stock and currency exchanges in major financial capitals);
3. A network of large investment houses including global mutual funds, venture capital funds and sovereign wealth funds;
4. A network of firms that specialize in trading currencies, commodities, futures, credit default swaps, and similar financial instruments;
5. A small network of firms that establish financial price indexes and standards (e.g. British Banking Association (LIBOR), [Standard & Poor's](#)); and
6. Financial news services (e.g. [Bloomberg](#), [CNN Business](#), [BBC Financial](#))

Readers' Guide: Global Redesign Initiative Center for Governance and Sustainability  
at the University of Massachusetts Boston  
[www.umb.edu/gri](http://www.umb.edu/gri)

Related Ideas: [Reconciliation](#); [Emergency liquidities](#); [Financial risk watchdog](#); [Risk management](#); [Financial risk repository](#); [Bribery](#)



## Options for the Future

GRI's recommendation for enhancing the management of global finance system includes proposals on:

1. Enhanced disclosure (e.g. [accounting standards](#));
2. Global risk assessment and effective forms of interventions (e.g. [global systemic risks](#) and compelling responses; new roles of the [Financial Stability Board](#));
3. Speedier ways to create international liquidity (e.g. at the [recommendation of the IMF Managing Director](#)); and
4. Restructuring the relationship between the [G20 and the formal global governance system](#) (e.g. [G20 engagement with ECOSOC](#)).

GRI's detailed recommendations of finance and economic development matters are in GRI's sub reports covering:

- Structural Matters
  - o Global Agenda Council on the International Monetary System
  - o Global Agenda Council on Systemic Financial Risk
  - o Global Agenda Council on Global Investment Flows
- Policy issues
  - o Global Agenda Councils on Economic Growth & Development
  - o Global Agenda Council on Poverty & Development Finance
  - o Global Agenda Council on Catastrophic Risks
- Competition
  - o Global Agenda Council on Emerging Multinationals

It should be noted that GRI's recommendation for an early warning system to spot the next systemic financial crisis is one of only two recommendations that suggests a command-control sanctioning provision.<sup>1</sup> It is also one of the few GRI's economic recommendations that does not recommend a multi-stakeholder governance process.

There are contentious governance issues at almost all international financing institutions. At the IMF, the pressing governance issues include the method of selection of the Managing Director, the distribution of voting shares, and the principle of weighted voting by size of national contributions. At the World Bank, challenging governance issues include the method of selection of the Managing Director; the inconsistent use of social, environmental, and other standards; and the arrangement to establish conditionality for loans to developing countries. At the Financial Stability Board and the Bank for International Settlements, there is virtually no public consultation and only limited access to papers and documents. The credit rating institutions have been challenged on their oligopolistic control of credit standards and their lack of public accountability.

What the GRI didn't address in this area is quite significant. In addition to its silence on fundamentally changing the governance of the financial institutions, Everybody's Business did not include recommendations on (a) what to do with systemically important financial institutions; (b) how to supervise or control of currency and commodity transactions; (c) taxes on international financial transactions and related innovative sources of funds; (d) credit default swaps or any other new financial instruments; (e) the disconnect between finance and productive

capital; (f) public access to documents and decision-makers in these institutions; and (g) how to better contain the speed of transmission of a local or national financial crises.

Related ideas: [Bribery](#); [Emergency Liquidity](#); [Financial Risk Repository](#); [Financial Risk Watchdog](#); [Principled –based finance](#); [Reconciliation](#); [Risk Management](#); [Water Stress](#)

1. The other is for a [new ocean-focused data sharing Interpol](#)

## Military Matters

When President Roosevelt looked back at the League of Nations' failure to stop WWII, he was determined to create a new international organization that had the military power to prevent future world wars. He got his wish. The basic design of the Security Council was the first formulated part of what became the United Nations. For the past sixty years, the Security Council has played a significant role in mitigating conflicts and operating peacekeeping missions in Africa, Asia, and Latin America. More recently, the Peacebuilding Commission <sup>1</sup> has moved the UN more assertively into post-conflict reconstruction. But the pruning hooks have not yet been made from the weapons of war. <sup>2</sup>

This section of the Readers' Guide summarizes both the official and de facto peace and security institutions now in place. It then identifies the changes that GRI proposes that would introduce multi-stakeholder structures and voluntary commitments into the peace and security arena. It also identifies some of the military and peace issues which GRI chose to avoid.

The current official system for controlling military and armed conflicts can be said to have six components:

1. An intergovernmental body with the authority to approve the use of military force in the interest of peace and stability and to sanction aggressive States, organizations and related individuals (i.e. the Security Council);
2. Various regional intergovernmental bodies which assert they can approve the use and exercise of military force within their self-defined regions (e.g. NATO, African Union, Organization of American States);
3. A de facto alliance between nuclear states (such as US, Russia, UK, Israel, Pakistan, India);
4. Bilateral and regional treaties controlling the use of force, the circumstances which force can be used, or the types of forces that are acceptable (such as nuclear arms treaties, [Geneva Conventions](#), chemical biological warfare treaties, land mines treaty);
5. Practices used by the UN Secretary-General to intervene in difficult areas (e.g. [Special Representatives](#)); and
6. Bilateral agreements establishing mutual defense arrangements between the member countries.

In addition, the supplementary non-official system for controlling or influencing armed conflicts consists of:

1. Overlapping commercial markets for weapons of war (such as small arms exporters, military transport equipment suppliers, naval vessels, combat airplanes);
2. Private security firms <sup>3</sup> and firms providing military services to governments (such as AEGIS <sup>4</sup> and Blackwater Worldwide);
3. Manufacturing, mining, and oil extraction firms which maintain local privately funded armies to 'protect their assets', particularly in developing countries;
4. A network of private military related think tanks whose clients are both nation-states and multinational corporations (e.g. [Rand Corporation](#), [Center for Security Policy](#)).

There are crucial civil society institutions involved in global, regional, and local threat mitigation. These groups include:

1. International coalitions for peace and for the limitation of specific forms of war (such as the [land mines campaign](#), anti-nuclear groups);
2. A collection of peace oriented, often university-based think tanks that have evolved alternatives to armed conflicts and peace and confidence building methodologies (e.g. Stockholm International Peace Research Institute ([SIPRI](#)), [Chatham House](#));
3. A growing number of unofficial peace ambassadors and institutes (e.g. former President Jimmy Carter, former Prime Minister Tony Benn, development organizations working in conflict zones).

Related Ideas: [Dual-oversight agency](#); [Nuclear terrorism](#); [R2P](#); [Plurilateral](#); [Nuclear fuel](#)

1. [The Peacebuilding Commission](#) is the only joint Security Council and General Assembly body in the UN.
2. "They will beat their swords into plowshares and their spears into pruning hooks. Nation will not take up sword against nation, nor will they train for war anymore." — [Isaiah 2:4](#) & [Micah 4:3](#).
3. See <http://www.privatemilitary.org/home.html> (seen June 25, 2012) for a global index of private security firms.
4. <http://www.aegisworld.com/> (accessed July 28,2012)

## Options for the Future

GRI's recommendation for enhancing the management of global finance system includes proposals on:

1. Enhanced disclosure (e.g. accounting standards);
2. Global risk assessment and effective forms of interventions (e.g. global systemic risks and compelling responses; new roles of the Financial Stability Board );
3. Speedier ways to create international liquidity (e.g. at the recommendation of the IMF Managing Director); and
4. Restructuring the relationship between the G20 and the formal global governance system (e.g. G20 engagement with ECOSOC).

GRI's detailed recommendations of finance and economic development matters are in GRI's sub reports covering:

- Structural Matters
  - o Global Agenda Council on the International Monetary System
  - o Global Agenda Council on Systemic Financial Risk
  - o Global Agenda Council on Global Investment Flows
- Policy issues
  - o Global Agenda Councils on Economic Growth & Development
  - o Global Agenda Council on Poverty & Development Finance
  - o Global Agenda Council on Catastrophic Risks
- Competition
  - o Global Agenda Council on Emerging Multinationals

It should be noted that GRI's recommendation for an early warning system to spot the next systemic financial crisis is one of only two recommendations that suggests a command-control sanctioning provision.<sup>1</sup> It is also one of the few GRI's economic recommendations that does not recommend a multi-stakeholder governance process.

There are contentious governance issues at almost all international financing institutions. At the IMF, the pressing governance issues include the method of selection of the Managing Director, the distribution of voting shares, and the principle of weighted voting by size of national contributions. At the World Bank, challenging governance issues include the method of selection of the Managing Director; the inconsistent use of social, environmental, and other standards; and the arrangement to establish conditionality on loans to developing countries. At the Financial Stability Board and the Bank for International Settlements, there is virtually no public consultation and only limited access to papers and documents. The credit rating institutions have been challenged on their oligopolistic control of credit standards and their lack of public accountability.

What the GRI didn't address in this area is quite significant. In addition to its silence on fundamentally changing the governance of the financial institutions, Everybody's Business did not include recommendations on (a) what to do with systemically important financial institutions; (b) how to supervise or control of currency and commodity transactions; (c) taxes on international financial transactions and related innovative sources of funds; (d) credit default swaps or any other new financial instruments; (e) the disconnect between finance and productive

capital; (f) public access to documents and decision-makers in these institutions; and (g) how to better contain the speed of transmission of a local or national financial crises.

Related ideas: [Bribery](#); [Emergency Liquidity](#); [Financial Risk Repository](#); [Financial Risk Watchdog](#); [Principled –based finance](#); [Reconciliation](#); [Risk Management](#); [Water Stress](#)

1. The other is for a [new ocean-focused data sharing Interpol](#)

## The Judicial System

The heart of a judicial component of a governance system is what happens when a person or an institution acts in violation of an agreed law, regulation, or rule; when two parties differ over how to carry out an agreement; and what special steps need to be taken to get discretionary state approval. In common law terms, a judicial system normally has a criminal justice component, a civil law component and an administrative law component. To implement these functions at the national level, a system of courts, judges, lawyers, and juries examines the facts, interpret the legal standards, and make judgments. The outcome of a judicial system is generally backed up by the policing power of the nation-state.

When the UN was established, the post-WWII victorious states knew that they needed an institution that could compel actions when other states chose to threaten or act militarily against another state. In the United Nations Charter, the Security Council's decisions are the only ones that are obligatory on all member states. 1

Today, a global governance system needs a set of institutional arrangements to manage a wider array of conflicts. These conflicts range from economic conflicts over land and water to commercial conflicts over genetic resources and from environmental disputes to human rights challenges.

This section identifies the key elements of the formal intergovernmental juridical system and its complementary de facto system, largely within the corporate sphere. It then summarizes the changes that GRI recommends for the rule of international law and concludes with a brief list of global rule of law matters that were not discussed in the GRI report.

The official judicial functions of the current international system can be seen as having:

1. A formal court system for states ([International Court of Justice](#));
2. A formal international criminal court for very serious human rights crimes ([International Criminal Court](#));
3. A state-created court to address trade disputes between countries ([WTO Dispute Settlement Body](#));
4. A commercial and travel sanctioning system operated by the UN ([Security Council and the Counter Terrorism Committee](#)); and
5. A series of convention-sanction systems operating by the conference of parties to a limited number of conventions (e.g. the trade sanction provisions in the [Montreal Protocol](#) and in [CITES](#), the endangered species convention).

The de facto juridical system consists principally of:

- A series of arbitration courts to address disputes among businesses and between businesses and nation-states (e.g. [World Bank hosted arbitration panels](#); [The International Chamber of Commerce hosted mediation and arbitration panels](#), and the [Hague arbitration court](#); and
- A system of restrictions operated by key financial institutions and multinational corporations to restrict the flow of capital to non-approved firms, countries, or investors.

There are many different types of civil society institutions involved in quasi-judicial international functions. These include:

1. A consortium of civil society organizations that orchestrate boycotts and disinvestment campaigns against objectionable state actions (e.g. boycotts and disinvestment campaigns involving South Africa, Burma, and Israel);
2. Civil society organizations that 'target' misbehaving multinational corporations or industrial sectors with commercial market penalties (e.g. Nestle infant formula boycott; Greenpeace's anti-whaling campaign, and campaigns against nuclear power);
3. Civil society organizations that sanction through adverse publicity those governments which deny their citizens basic human rights (e.g. [Amnesty International](#), [Human Rights Watch](#)); and
4. A series of civil society, academic bodies, and media institutions which host public hearings and focus public opprobrium and market penalties on a specific corporate practices (e.g. [Jubilee campaign](#) on unpayable debts of developing countries)

Related Ideas: [Crowdsourcing](#); [Bribery](#)

1. One consequence of this provision in the Charter is that similarly important decisions by the General Assembly, the ECOSOC, and other intergovernmental bodies are not obligatory for Member States.



## Options for the Future

When GRI project looked at the international juridical system, its recommendations covered four areas:

1. Reducing the role of corruption in firm-to-state transactions (e.g. public-private partnership to support [voluntary anti-bribery compliance](#));
2. Addressing illicit transactions and unapproved licensing of products and technologies (e.g. YGL Responsibility Licensing Task Force and the Global Agenda Council on Illicit Trade);
3. Creating better coordination between national enforcement agencies (e.g. [an ocean-focused Interpol](#)); and
4. Involving social media in quasi-law enforcement (e.g. [web monitoring of election irregularities](#) and using the web to enhance accountability).

GRI's specific recommendation in this area can be found in the following thematic task force reports:

- Global Agenda Council on Human Rights & Protection
- Global Agenda Council on the International Legal System
- Young Global Leader Global Responsibility Licensing Task Force
- Global Agenda Council of Illicit Trade
- Global Agenda Council on Ocean Governance

There are currently a number of significant governance issues in the international judicial sphere. Some of these involve the secrecy of existing arbitration bodies; the lack of public input to arbitration panels; the procedures of the WTO's Dispute Settlement Body; the role of the Dispute Settlement Body in tangentially-related trade matters; the lack of public oversight and private appeals mechanism from the decisions of Counter-Terrorism Commission; and the lack of effective enforcement of decisions of the International Criminal Court.

A new governance system to manage disputes arising from globalization would certainly have a number of other elements. It could include a court system for disciplining multilateral firms who are acting outside of acceptable international norms; a settlement system for environmental and social damages that are caused by cross border activities; a legal regime to control the growth of international oligopolies and monopolies; procedures for orderly nation-state and multinational debt bankruptcy; methods to deal with inappropriate payments and corruption in inter-firm transactions; and arbitration and mediation services that allows individuals to seek civil liability redress from actions in the global market.

As much as WEF wishes that there was a consensus on a new "geometry of cooperation," there will always be those who disagree with any new policy. International competition and inter-firm conflict are simply normal, day-to-day activities. GRI posits that allowing some corporations to make decisions inside the new global governance system will somehow bring market competitors to comply with the outcome. GRI does not, however, provide any evidence for this assumption. It is quite reasonable to expect the GRI to explain how a competitive commercial market and civil society challenges to the same corporate and governmental policies can be presented as a new "geometry of cooperation." This is crucial, as GRI sets up the outcome of the "geometry of cooperation" in [Step One](#) as potentially more important than international law.

GRI also does not addresses what would happen in the case of substantial non-compliance in globally significant areas. How would the WEF, concerned about the effectiveness of the global system, address those MNCs or states might then need to be, in WTO language, 'disciplined'?

### **Functional Aspects of a Governance System (e.g Housing, Education, Health)**

Governments are expected to deliver a range of public services to their constituencies. These services range from managing the needs for housing to providing childhood education and from ensuring health care to protecting the environment. At the international level, there are parallel expectations of a governance system, albeit for much larger constituencies with widely different expectations for these services and extreme divergences in the current level of services provided to various social and geographic communities.

After WWII, a wide range of specialized agencies were established (e.g. [FAO](#) in 1945, [UNESCO](#) in 1945, [WHO](#) in 1948) to coordinate national departments and ministers dealing with these key functional units of government. These international organizations are also expected to provide a foundation for international support to developing nations providing them assistance in operating these state services within their own societies. Each of these international organizations is organized around a specific policy area (education, food, health) which are 'natural' extensions of existing national ministries and departments (Ministry of Education, Department of Agriculture, Ministry of Health etc). And each of these specialized agencies has their own theme-specific mandates. The UN departments and the specialized agencies, which now number some [28](#), are the practical arms and legs of the international community.

These international bodies are, however, structured in a variety of ways. Some of which are:

1. Specialized agencies of the UN system (e.g. [FAO](#), [WHO](#), [UNESCO](#), [ILO](#));
2. Funds or programs of the UN (e.g. United Nations Development -UNDP, United Nations Environment Programme - UNEP);
3. Functional commissions of [ECOSOC](#) and their secretariats (e.g. Commission on Population and Development, Commission on Crime Prevention and Criminal Justice);
4. Specialized cross organizational bodies (e.g. [World Food Program](#), Strategic Approach to International Chemical Management- [SAICM](#)); and
5. Conference of parties of independent conventions and agreements and their secretariats (e.g. [United Nations Framework Convention on Climate Change](#) and other multilateral environmental agreements [MEAs])

The de facto international governance system for a wide range of traditional government functions include:

1. A large and diverse collection of sector-specific firms that allocate products, processes, and prices in their markets (e.g. pharmaceutical firms, educational media companies, agribusiness);
2. International business and professional associations associated with these sector-specific industries (e.g. International Chamber of Commerce - [ICC](#), European Chemical Industry Council – [CEFIC](#));
3. A collection of semi-private, semi-public standard setting bodies (e.g. International Organization for Standardization-[ISO](#); [Forest Stewardship Council](#));
4. Global media industry that offers its interpretation of the expectations and goals in these areas; and
5. Private foundations and corporate philanthropic bodies that select and fund projects in any given sector (e.g. [Bill and Melinda Gates Foundation](#); Global Alliance for Vaccines and Immunisations – [GAVI](#)).

The global component of civil society in this field is largely:

1. A large collection of international non-governmental organizations which work to focus global attention and the expectations that these functions should be universally available, particularly in the developing world;
2. A larger collection of national and international non-governmental organizations which deliver social services in developing world;;
3. A diverse community of international worker associations and unions;
4. Professional and academic bodies providing policy and research directions in specific areas; and
5. Media groups that produce and distribute educational/scientific material related to specific sectors

Related ideas: [Dual-Oversight Agency](#); [Fisheries](#); [Health Issues](#); [Education](#); [Water Stress](#)

## Options for the Future

When GRI project looked at the international aspects of state functions, it concentrated its recommendations on ways to expand or improve a number of key areas. These include:

1. An expanded global program on specific functional areas (e.g. its proposal for a review of Education for All and to upgrade transportation systems <sup>1</sup>);
2. Additional international labour-focused programs (e.g. [upgrade of labor and worker security](#));
3. An enhancement of attention on certain categories of illness (e.g. [increased resources for preventable diseases](#));
4. A greater effort on water-related resources (e.g. [environmental ocean protection](#) and fresh water use <sup>2</sup>); and
5. A renewed attention to agriculture and food issues (e.g. [renewed attention to hunger and malnutrition](#)).

GRI's specific recommendation in this area can be found in the following thematic taskforce reports:

- Education and Children
  - o Global Agenda Council on Education Systems
  - o Global Agenda Council on the Welfare of Children
- Social Security
  - o Global Agenda Council on Employment & Social Protection
  - o Young Global Leader Millennium Development Goals Task Force
  - o Global Agenda Council on the Welfare of Children
- Health
  - o Global Agenda Council on a Healthy Next Generation
  - o Global Agenda Council on Chronic Diseases & Conditions
  - o Global Agenda Council on Global on Healthcare Systems & Cooperation
  - o Global Agenda Council on Population Growth
  - o Global Agenda Council on Nutrition
- Labor
  - o Global Agenda Council on the Skills Gap
- Food and Agriculture
  - o Global Agenda Council on Food Security
- Environment
  - o Global Council on Ocean Governance
  - o Young Global Leader Restoring Ocean Health Task Force
  - o Global Agenda Council on Sustainable Consumption
  - o Global Agenda Council on Water Security
  - o World Economic Forum on Water Initiative
- Transportation
  - o Global Agenda Council on the Future of Transportation
  - o Young Global Leader Transforming Urban Mobility Task Force

- Technology
  - o Global Agenda Council on Emerging Technologies
- Media
  - o Global Agenda Council on the Future of Entertainment
  - o Global Agenda Council on Marketing and Branding

Environmental governance, health governance, sustainable development governance, and social protection governance are quite active fields. In environmental governance, there are pending debates on the status of the intergovernmental environment body and the division of intergovernmental responsibilities for environmental matters between the [General Assembly](#), [ECOSOC](#), and the [UNEP](#) Governing Council.

The health governance arena has a different set of issues. Here the debates focus on the proper roles for the [WHO](#) and corporate/foundation funding vehicles (e.g. [GAVI Alliance](#)) and on the appropriate way to select priority health issues. In the field of sustainable development governance there are contentious issues about what type of body should integrate the three pillars of sustainable development, how to engage with the BWIs and other funding arms that are independent of the UN to deliver sustainable development, and what role the Second Committee of the General Assembly and the Security Council should have in climate change and sustainable development.

In the technology governance sphere, there are complicated governance issues in [ICANN](#) about the appropriate roles for governments, industry, and the public in providing equitable access to technology and in setting technological standards for the internet.

*Everyone's Business* could have addressed a wider range of traditional domestic governing functions (e.g. housing, sanitation, health and safety, public health, consumer safety) as well as an expanded list of global public goods (e.g. air, river, and forest conditions). GRI could also have addressed a range of practical governance issues that are derivative from the privatization of the international market, such as the regulation of firms providing public utilities and needs, the consequences of the privatization of natural resources, protections of oceans from ships registered under a flag of convenience, inconsistent labeling of medical and chemical products between national markets, and the international registration and certification of service firms.

1. Global Agenda Council on the Future of Transportation
2. Global Agenda Council on Water Security

## Managing Economic Globalization

One of the most dynamic international changes in the post-WWII period has been the evolution of economic globalization. However one defines it, globalization marks a step change from prior systems of international commercial and business relations. In the years since WWII, multinational corporations have created their own ad hoc market-based governance system for this space.

At the national level, economic policy, industrial policy, and sector development (call it what you wish) are normal features of a national economic governance system. OECD governments use a mixture of policy tools to advance domestic economic growth and to redirect it in different directions. They can stimulate using tax incentives, state-subsidies, large scale state purchasing, research and development underwriting, patent protection rules, state guarantees and loans, alone or in combination with other economic policy tools. These governments can also redirect economic growth through land use regulations, consumer safety standards, environmental protection rules, tax policy, workers safety standards, and many combinations of these economic-social policy tools. Some of the market encouragement tools have the net effect of dis-incentivizing economic activity in other related sectors and vice versa.

What is abnormal is that there is no equivalence to state-based economic governance systems at the international level.

The official international system for managing economic affairs is very limited, except in three areas – trade, patents, and trade-related investments. For trade there is a well developed set of rules at the [WTO](#); for patents there is the cross-registration system of World Intellectual Property Organization ([WIPO](#)) and the International Convention for the Protection of New Varieties of Plants ([UPOV Convention](#)); and [for trade-related investments](#) there is a WTO agreement on that subject and a large number of bilateral agreements ([BITs](#)). Some UN system agencies provide advice to developing countries and small and medium enterprises on international market arrangements and technologies (e.g. [UNIDO](#), [UNCTAD](#)),. Some UN intergovernmental bodies receive reports about economic matters (i.e. [ECOSOC](#) and the Second Committee of the General Assembly). A number of intergovernmental and voluntary guidance documents have been developed relating to international investment and business (e.g. OECD Guidelines for Multinational Enterprises; <sup>1</sup> UN Principles for Responsible Investment [[UN-PRI](#)])).

The ad hoc sector governance system is the de facto norm in this area. Its mechanisms consist of:

1. A series of interlinked sector understandings on normal and routine practices in that sector;
2. A large collection of highly specialized trade associations that provide a forum for the coordination of sector-specific practices;
3. A number of very highly concentrated international markets which are 'governed' by a very limited number of key firms (e.g. the oil industry, agribusiness, diamond industry);
4. International product standard bodies which define the engineering scope of a diverse range of products and services in international trade (e.g. International Standardization Organization, [ISO](#));
5. An advertising and media component to generate needs and to define the satisfaction of wants on the regional and global scale; and

6. Tax, legal, and accounting professions that help manage the location and movement of economic funds to minimize/avoid taxes and domestic legal oversight while maximizing returns in preferred currencies and related transactions.

The civil society component of economic governance comprises:

1. Alliances between civil society organizations across countries to restrict the market on specific products and services (e.g. tobacco, dam construction, conflict minerals);
2. Associations of civil society bodies advocating for the expansion of certain classes of products and socially relevant niche markets (e.g. organic foods, fair trade products); and
3. Multi-stakeholder consortiums for setting socially responsible trade standards (e.g. [ISEAL](#)).

Related Ideas: [Fisheries](#); [Favor sustainability](#); [Trading regime](#); [Expanding labor](#); [Emissions](#); [Water stress](#); [Risk management](#); [Food redesign](#); [Climate funds](#); [Low-carbon growth](#); [Carbon capture](#)

1. <http://www.oecd.org/dataoecd/56/36/1922428.pdf> (accessed July 28, 2012)



## Options for the Future

The WEF taskforce proposals for managing economic globalization addressed six key categories :

- Carbon-market development (e.g. [carbon capture](#) and [low carbon growth](#));
- Ocean related economic development (e.g. [fisheries](#) and the [Law of the Sea convention](#));
- Labor training and protection (e.g. [education](#) and [labor market support mechanisms](#));
- Legal mechanisms (e.g. licensing and trade);
- Enhancement of comparative economic and social data (e.g. [benchmarking](#), and [risk assessment](#)); and
- Improvements in selected key economic sectors (e.g. transportation, internet, and extractive industries).

The recommendations of the GRI for economic governance are in the following specialized reports:

- Energy
  - o Global Agenda Council on Sustainable Energy
  - o International Partnership for Energy Efficiency Cooperation
  - o Global Agenda Council on Energy Security
  - o Low-Carbon Prosperity Task Force on Adaptation
  - o Low-Carbon Prosperity Task Force on Avoided Deforestation and Land Use Change
  - o Low-Carbon Prosperity Task Force on Energy Efficiency
  - o Low-Carbon Prosperity Task Force on Accelerating Investment: Developing Countries
  - o Low-Carbon Prosperity Task Force on Accelerating Investment: Low-Carbon Technologies
  - o Low-Carbon Prosperity Task Force on Market Mechanisms
  - o Low-Carbon Prosperity Task Force on Standards and Metrics
- Trade
  - o Global Agenda Council on Trade
- Mining and Metals
  - o Global Agenda Council on the Future of Mining and Metals
- Transportation
  - o Global Agenda Council on the Future of Transportation
- Internet
  - o Global Agenda Council on the Future of the Internet
- Licensing issues
  - o Young Global Leader Global Responsibility Licensing Task Force

The debates on climate governance have raised a number of important issues including how to use environmental rule-making to shift the current high greenhouse gas-based economy to a low carbon one; how to incorporate financial institutions, the nation-state, and UN in making joint investment decisions (e.g. Clean Development Mechanism and [Fast-start Climate Finance](#)); and how to use carbon price signals to support the expansion of the alternative energy sectors.

Internet governance debates include issues on access to bandwidth and domain names in developing countries; the role of the open source non-profit community in the decision making of ICANN; <sup>1</sup> and the relative roles of the state and the private sector in managing the evolution of the internet. The governance debates on patents and licensing include the enforcement rights of patent holders for medicines and medical devices in poorer regions of the world; the use of patents and national ownership of biodiversity; and the costs of patented products and services in narrow specialized markets.

Among the economic governance issues that WEF does not address are (a) definitions for global market concentration and proposals on managing market concentration; (b) the reduction of tax avoidance from transfer pricing and the use of tax-haven shopping; (c) multi-stakeholder arrangements for the economic management of the world's manufacturing and service sectors; (d) common registration, global reporting standards, common rules for supervising multinational economic activities; (e) multilateral and bilateral investment treaties to strength nation-states and domestic civil societies in managing international capital, debt, and service sectors; (f) multi-stakeholder mechanisms to better align the finance and productive sectors of the world's economies; and (g) a better structure for North-South economic relations.

Related Ideas: [Climate Funds](#); [Education](#); [Emissions](#); [Expanding Labor](#); [Favor Sustainability](#); [Fisheries](#); [Food Redesign](#); [Law of the Sea](#); [Migration](#); [Risk Management](#); [Trading Regime](#); [Water Stress](#)

1. [Multi-stakeholder governance in practice](#)

## Structural Aspects of a Governance System

When they are 'born', Governments often reach out to address broad social and ethical goals. They might build into their founding documents ways to redress colonialism, to enhance democracy, to overcome land concentration, to assert cultural and national identities, or to provide women, workers, or indigenous people more rights. At the international level, these structural aspirations of governance produced major international institutions in the 1940s, 50s, and 60s and a series of conferences in the 70s, 80s, and 90s. The conferences explored new ways to address racism, <sup>1</sup> to adapt the constructed world to people with physical and emotional limitations, <sup>2</sup> to give [literacy](#) a central role in life, and to build support for environmental matters. <sup>3</sup>

The official intergovernmental system dealing for addressing 'universal rights' has largely two elements - a range of UN system organizations and commissions and a series of global and regional conferences and meetings that aim to increase international and national action on a specific human right. Among the UN system bodies are [UN Women](#), the [UN Council on Human Rights](#), and the [UN Permanent Forum on Indigenous Issues](#). Generally, international conferences seek to share the best academic research with a wider community, to define the breadth of a concern about a socially or politically weak community, to set global soft law standards, and to support national groups struggling within their own countries with a specific issue.

The unofficial international system is principally the aggregate impact of those multinational enterprises which adopt firm-wide global standards, regulations and purchasing requirements. For example, multinational firms which use their domestic hazardous waste standards to prevent dumping in poor communities in the developing world have created for themselves and the communities where they operate an internationally agreed-upon global standard for domestic hazardous waste disposal. <sup>4</sup> Firms that adopt gender-based work practices for their global operations, when not required by the site-specific national law or regulations, are acting to reduce sexism in the global workplace. Multinational purchase agreements that set auditing of worker safety practices create an external review system for suppliers, even when these are not required by the host country. And firms that stipulate green standards in their supply chain contracts act to create environmental standards throughout their global suppliers.

The global component of the civil society in this field include (a) a wide range of organizations and programs that act to create a recognition of universal rights and social and environmental obligations and (b) organizations that work to support local community groups to implement health, safety, and related procedural safeguards in the absence of state implementation.

The GRI has quite specific recommendations to deal with the persistence of a gender employment gap, enhance the rights of children, and encourage sustainable consumption.

- Human Rights
  - o Global Agenda Council on Human Rights and Protection
- Gender
  - o Global Agenda Council on the Gender Gap
- Consumer Products
  - o Global Agenda Council on Sustainable Consumption

GRI does not consider adverse effects of racism and nationalism. This is a concern expressed by the joint US-EU intelligence study on international governance to 2025:

Many experts see nationalism and xenophobia on the rise . . . Such tendencies contribute to making national positions in multilateral forums less accommodating. This may trigger a vicious circle of ineffective global governance, diverging perceptions, and angered national public debates fueling each other.<sup>5</sup>

GRI also did not address homophobia, the marginalization of indigenous peoples, sexism, and physical and social barriers to people with challenges.

While GRI Tool One does call for the expansion of international norms and legal frameworks, GRI did not articulate any new norms or rights to address structural aspects of governance (e.g. a right for food, for health, or for water).

Related Ideas: [Emissions](#); [Carbon capture](#); [Low-carbon growth](#)

1. World Conference against Racism, Racial Discrimination, Xenophobia, and Related Intolerance, 2001
2. Resulting in the Convention on the Rights of Person with Disabilities (2008)
3. Rio Conference on Environment and Development, 1992
4. The Basel Convention on Hazardous Waste focused on rules for the international trade in hazardous materials and wastes, not the generation or disposal of hazardous wastes within a country or by a company.
5. Global Governance 2025, pg 6.

## Rules, Procedures and Governmental Culture

Every political process needs a set of rules, procedures, practices, regulations, and guidelines to make operational the setting and acceptance of a society's ground rules. Whether they are rules for selecting candidates for office or the procedures for filing a court case, these ground rules provide the 'acceptable way' to run the community. At the international level these ground rules include one-nation-one-vote, the rules for CSO and MNC access to international meetings, the acceptable methods for intergovernmental negotiations (informal sessions, work groups, task forces, friends of the chair, etc.), and the appropriate roles for support staff in intergovernmental negotiations.

The formal intergovernmental system is governed by a set of treaties and conventions, a set of organization-specific rules of procedure, and a cultural pattern that is unique to each intergovernmental body. To keep all these legal agreements in balance, there is even a convention on how to make conventions.<sup>1</sup>

The informal international governance system is more complicated. Within the international market, the rules are by design as vague as possible. The lack of a formal legal system for the international market and globalization has created a reality where market power has resulted in a series of rules of accepted behavior specific to a particular market segment. These market specific practices are reflected in international commodity market pricing structures, international patterns of mergers and acquisitions, international informal market boundaries, historical associations between particular groups of financing institutions and manufacturing enterprises, and alliances between particular commercial service providers and individual firms.

GRI's recommendations in this area focus four important areas: how to change the culture to recognize that official institutions and unofficial global institutions are part of a global governance system; how to better incorporate key MNCs and leading international CSOs into the state-centric UN system (e.g. the preparatory process for the [Rio+20 conference](#)); how to provide an international political role for [national parliaments](#) and legislatures; and how to deal with the consequences of highly fragmented international institutions. The Global Agenda Council on the Future of Government examined a number of other institutional and cultural issues.

In this sphere, the pending governance issues include access to documents and proceedings by non-state Actors (e.g. implementation of Rio principle 10); high level representatives for intergenerational equity (i.e. a special representative for future generations); access to information on sustainable development from globally large corporations; and standing before international panels and bodies by different groups of non-state Actors.

Topics not addressed by the GRI include regulatory arrangements for the global market; the election or selection of MNCs and other non-state actors to participate in formal international governance; the obligations to implement the outcome of official international decisions by MNCs and other non-state actors; non- and under-representation of key communities in global governance; dominance in international communication of the English language; and access to MNC decision-making processes.

Related Ideas: [Fragmentation of information and leadership](#); [Reconciliation](#); [Informal conference planning](#); [Principled-based carbon accounting](#)

1. Vienna Conventions on Law of Treaties (1969).

## Changing the Frame of Reference

*Everyone's Business* offers a challenge to the international community and to a number of academic disciplines. The current frame of reference for the intergovernmental system and most of the social science world has been set by events and pressures of the preceding generations. GRI's sharply different framework is making a significant contribution to redefining the boundaries of the study of international affairs and traditional thinking about scope of international governance.

This is a difficult challenge for officials in traditional government ministries and departments because their areas of responsibility have been defined, in some cases, centuries ago. It is also a difficult challenge to the traditional boundaries of a number of social science disciplines, as some of these territorial lines have also been drawn many centuries ago.

Today, ministries and departments of state act as if they 'represent' all domestic constituencies, when clearly this is not the case. Departments of food and ministries of agriculture act as if they can provide food and support farmers when effective control of food politics was usurped by agribusiness decades ago. Agencies for regulating the marketplace and offices responsible for 'supervising' domestic exchanges function as if globalization has not taken away the minimum conditions for their effectiveness. In a similar manner, academic specialization in international relations largely presumes that the nation-state is still the key Actor in global affairs, even when this reality has been effectively diluted in the post-WWII period.

GRI's reconceptualization of global governance offers a new of perspective on the dynamics between the nation-state, multinational corporations, and international civil society. This section of the Readers' Guide bridges the gap between the traditional approaches and the GRI's conceptualization of formal and informal global governance where the informal component often dominates the formal component. In doing so, it also provides a starting point from which to examine debates within specific global governance sectors and their relationship to the broader global governance issues.

As it should be clear, there is still a lot of work that needs to be done in public policy circles, in the academy, and in the wider society to fashion a new system of global governance that meets the diverse expectations in the world today and that can, at the same time, manage the complexities of globalization.