

EDITED BY

David Held & Anthony McGrew

Governing Globalization

Power, Authority and Global Governance



'The top thinkers on the crucial questions of global governance.'

Joseph Nye

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Preface

Globalization has been accompanied, some would say driven, by a thickening web of multilateral agreements, global and regional institutions and regimes, transgovernmental policy networks and summits. This evolving global governance complex regulates and intervenes in virtually all aspects of global affairs. It is far from being a nascent world government, but it is much more than a system of limited intergovernmental cooperation. While, in relation to the scale of global problems, the achievements of global governance appear decidedly thin, few would dismiss the fact that international institutions have become crucial sites of political struggle over globalization and the nature of world order. The essays in this volume offer a comprehensive assessment and critique of this emerging global governance complex, paying particular attention to its implications for globalization.

This is the third volume in the Global Transformations series, the product of a continuing and intellectually rewarding collaboration between the co-editors which began longer ago than we now care to remember. The volume would not have been possible, however, without the professionalism and dedication of its many contributors. Edited volumes can present many problems of coordination, integration and scheduling. In this case, such problems proved insignificant primarily because of the willingness of the authors to write to an agreed framework and to meet a demanding schedule. We are indebted to them and record our thanks here for a series of excellent essays which will advance the subject in many significant ways.

There are also many others whose effort is less visible but nonetheless critical to the successful completion of a project like this. Jane Parker produced the final manuscript with great accuracy and under great duress; Sue Pope ensured a swift transition to production; Gill Motley, Sandra Byatt, Ali Wyke and Jenny Liddiard provided every professional support at all the key stages of production and marketing; and, finally, Ann Bone whose editing skills and professionalism can only be described as extraordinary – in the most literal sense of that word!

DH and AM

Acronyms and Abbreviations

Figure 2.3 on p. 64 has its own abbreviations key

ACC	American Chemistry Council
ACTN	Advisory Committee for Trade Negotiations (US)
AIDS	Acquired Immune Deficiency Syndrome
APEC	Asia-Pacific Economic Cooperation
ARF	ASEAN Regional Forum
ASEAN	Association of South East Asian Nations
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
BWS	Bretton Woods System
CBD	Convention on Biological Diversity
CFCs	chlorofluorocarbons
CPT	Consumer Project on Technology
CSW	casual sex workers
DHA	Department of Humanitarian Affairs (UN)
DNS	domain name system
DPG	Derivatives Policy Group
DPKO	Department of Peacekeeping Operations (UN)
DWSR	Dollar–Wall Street Regime
EMU	European Monetary Union
EPZ	export production zone
EU	European Union
FAO	Food and Agriculture Organization
FATF	Financial Action Task Force
FCCC	Framework Convention on Climate Change
FfD	Financing for Development (UN initiative)
FSF	Financial Stability Forum
FTAA	Free Trade Area of the Americas
FTZ	free trade zone
FYROM	Former Yugoslavian Republic of Macedonia
G7	Group of Seven (leading industrial nations): Canada, France, Germany, Italy, Japan, UK, USA
G8	Group of Eight: G7 plus Russia
G10	Group of Ten: G7 plus Belgium, the Netherlands, Sweden, Switzerland (actually eleven)
G20	Group of Twenty: G7 plus countries regarded as ‘emerging markets’

GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GPA	Global Programme on AIDS
GSP	Generalized System of Preferences
HAI	Health Action International
HIV	Human Immunodeficiency Virus
HRW	Human Rights Watch
IAEA	International Atomic Energy Agency
IAIS	International Association of Insurance Supervisors
IASC	International Accounting Standards Committee (now Board)
ICANN	Internet Corporation for Assigned Names and Numbers
ICAO	International Civil Aviation Organization
ICC	International Chamber of Commerce
ICRC	International Committee of the Red Cross
IETF	Internet Engineering Task Force
IFIAC	International Financial Institutions Advisory Commission
IGO	intergovernmental organization / international governmental organization
IIPA	International Intellectual Property Alliance
ILO	International Labour Organization
IMF	International Monetary Fund
IMO	International Maritime Organization
INGO	international non-governmental organization
INSTRAW	International Research and Training Institute for the Advancement of Women
IOSCO	International Organization of Securities Commissions
IPC	Intellectual Property Committee
ISMA	International Securities Market Association
ISO	International Organization for Standardization
ITU	International Telecommunication Union / International Telegraph Union
MDB	multilateral development bank
MERCOSUR	Southern Cone Common Market (Latin America)
MNC	multinational corporation
MSF	Médecins Sans Frontières
NAFTA	North American Free Trade Agreement
NASDAQ	National Association of Securities Dealers Automated Quotations System (US)
NATO	North Atlantic Treaty Organization
NGO	non-governmental organization
NIE	newly industrializing economy
NPT	Nuclear Non-Proliferation Treaty
OAS	Organization of American States
OCHA	Office for the Coordination of Humanitarian Affairs (UN)
OECD	Organization for Economic Cooperation and Development
OHCHR	Office of the High Commissioner for Human Rights

OSCE	Organization for Security and Cooperation in Europe
PhRMA	Pharmaceutical Research and Manufacturers of America
PMA	Pharmaceutical Manufacturers Association
PSO	peace support operation
RAFI	Rural Advancement Foundation International
SOA	sphere of authority
SRI	socially responsible investment
STD	sexually transmitted disease
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TNC	transnational corporation
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property Rights
TVA	Tennessee Valley Authority
UD	Universal Declaration of Human Rights
UN	United Nations
UNAIDS	Joint UN Programme on HIV/AIDS
UNCITRAL	UN Commission on International Trade Law
UNCTAD	UN Conference on Trade and Development
UNDP	UN Development Programme
UNEP	UN Environment Programme
UNESCO	UN Educational, Scientific and Cultural Organization
UNFPA	UN Population Fund
UNHCR	UN High Commissioner for Refugees
UNICE	Union of Industrial and Employers' Confederations of Europe
UNICEF	UN Children's Fund
UPOV	Union for the Protection of New Varieties of Plants
UPU	Universal Postal Union
USTR	US Trade Representative
WEU	Western European Union
WHO	World Health Organization
WID	Women in Development
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

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Introduction

David Held and Anthony McGrew

In his report to the special Millennium Summit, UN Secretary-General Kofi Annan sought to define a new role for the United Nations at the centre of 'global governance' (UN Secretary-General, 2000). Since the UN's creation in 1945 a vast nexus of global and regional institutions has evolved, surrounded by a proliferation of non-governmental agencies and advocacy networks seeking to influence the agenda and direction of international public policy. As Kofi Annan's remarks acknowledged, though world government remains a fanciful idea, there does exist an evolving global governance complex – embracing states, international institutions, transnational networks and agencies (both public and private) – which functions, with variable effect, to promote, regulate or intervene in the common affairs of humanity. Over the last five decades, its scope and impact have expanded dramatically such that its activities have become significantly politicized, as global protests against the World Trade Organization attest. Few architects of the UN system could have envisaged that postwar multilateralism would be transformed into the 'complex multilateralism' of the twenty-first century (O'Brien et al., 2000). Whether the rhetoric of global governance conceals an underlying historical continuity in the geopolitical management of world affairs remains, however, the focus of intense theoretical and political controversy.

This volume provides a critical and comprehensive assessment of this professed shift in the way world affairs are governed. It brings together contributions from theorists and analysts of global public policy to explore the relevance of the concept of global governance to an understanding of how global issues and key areas of global activity are currently regulated. It combines an elucidation of substantive theories of global governance with a systematic analysis of its structures and processes in key issue areas from humanitarian intervention to the regulation of global finance. In doing so, it maps the intellectual and empirical contours of the debate about the changing nature and form of global governance. Responding to those of a more sceptical persuasion who consider that global governance is little more than 'a theme in search of a focus', the essays provide a comprehensive assessment of the sources of and limits to the shift from national government to multilayered global governance (Groom and Powell, 1994).

Globalization and the New Political Circumstances of World Order

Any discussion of global governance must start with an understanding of the changing fabric of international society. Woven into this are the complex processes known as globalization. Globalization refers to a historical process which transforms the spatial

organization of social relations and transactions, generating transcontinental or inter-regional networks of interaction and the exercise of power (Held et al., 1999). Different historical forms of globalization can be identified, including the epoch of world discovery in the early modern period, the era of European empires and the present era shaped by the neoliberal global economic project. These different historical forms of globalization are characterized by distinctive spatio-temporal and organizational attributes; that is, particular patterns of extensity, intensity, velocity and impact in global relations, flows and networks, alongside different degrees of institutionalization, modes of stratification and reproduction. Although contemporary globalization has elements in common with its past phases, it is distinguished by unique spatio-temporal and organizational features, creating a world in which the extensive reach of global relations and networks is matched by their relative high intensity, high velocity and high impact propensity across many facets of social life, from the economic to the environmental.

To understand the implications of globalization for the governance of world affairs it is necessary to specify some of the key domains of activity and interaction in and through which global processes are evolving. The focus here is on the economic, the environmental and the political. The focus is on the economic because it is clearly a principal driving force of contemporary globalization, and no account of the nature and form of globalization can be pursued without reference to it. The focus is on the environment because it illustrates most acutely the changing scale of market failure and the new global risks faced not just by individual political communities but also by humankind as a whole. And the focus is on politics, law and security in order to highlight the changing form and context of state power, and the pressing agenda of global public issues that require more extensive and intensive forms of global regulation.

Economic globalization

Today, all countries are engaged in international trade, and in nearly all the value of trade accounts for significant proportions of their national income. The historical evidence shows that international trade has grown to unprecedented levels, both absolutely and relatively in relation to national income. Among the OECD (Organization for Economic Cooperation and Development) states, trade levels today (measured as a share of GDP) are much greater than they were in the late nineteenth century, the *belle époque* of world trade growth. World trade (merchandise and services) in 1999 was valued at over \$6.8 trillion, with exports having grown, as a percentage of world output, from 7.9 per cent in 1913 to 17.2 per cent in 1998 (Maddison, 2001; WTO, 2001).

As barriers to trade have fallen across the world, markets have become global for many goods and, increasingly, services. No economy can any longer be insulated from global competition. While national economies taken together can gain overall from increased trade, the gains are highly uneven. There are clear winners and losers, both between and within countries. An increased proportion of trade between developed and developing countries, for example, can hurt low-skilled workers in developed countries while simultaneously increasing the income of higher skilled workers. National governments may protect and compensate those who are vulnerable as a

result of structural change, but increased demands on and costs of the welfare state tend to be resisted by employers in the trading industries vulnerable to global competition (Garrett, 1998; Rodrik, 1997). The politics of trade creates complex and sometimes unstable political coalitions.

While global exports and trading relations are more important than ever in the world economy, transnational production is even more significant. Foreign direct investment reached three times as many countries in 2000 as it did in 1985 (UNCTAD, 2001, p. 4). Today, 60,000 multinational corporations (MNCs), with nearly 820,000 foreign subsidiaries, sell goods and services worth \$15.680 billion across the globe each year, and employ twice as many people today compared with 1990 (UNCTAD, 2001). Multinational corporations have taken economic interconnectedness to new levels. They account for about 25 per cent of world production and 70 per cent of world trade, while their sales are equivalent to almost half of world GDP (Held et al., 1999; UNCTAD, 2001). A quarter to a third of world trade is intrafirm trade between branches of multinationals.

The bulk of the assets of multinationals are typically found in OECD countries and in a relatively small number of developing ones (see Held and McGrew, 2000, pp. 25–7). Of total world foreign direct investment in 2000, 95 per cent went to 30 countries (UNCTAD, 2001, p. 5). Nevertheless, over the last few decades developing economies' shares of foreign investment flows (inwards and outwards) and of world exports have increased considerably (Castells, 1998; UNCTAD, 2001; UNDP, 1998). The newly industrializing economies (NIEs) of East Asia and Latin America have become an increasingly important destination for OECD investment and an increasingly significant source of OECD imports: São Paulo, it is sometimes said, is Germany's largest industrial city (Dicken, 1998). By the late 1990s almost 50 per cent of the world's total of manufacturing jobs were located in developing economies, while over 60 per cent of the exports of developing countries to the industrialized world were manufactured goods, a twelvefold increase in less than four decades (UNDP, 1998). Contemporary economic globalization, albeit highly unevenly spread, is not just an OECD phenomenon, but embraces all continents and regions.

Alongside transnational production networks, the power of global finance has become central to economic globalization. World financial flows have grown exponentially, especially since the 1970s. Daily turnover on the foreign exchange markets exceeds \$1.2 trillion, and billions of dollars of financial assets are traded globally, particularly through derivative products (BIS, 2001). Few countries today are insulated from the fluctuations of global financial markets, although their relationship to these markets differs markedly between North and South.

The 1997 East Asian crisis forcibly illustrated the impact of global financial markets. The financial disruption triggered by the collapse of the Thai baht demonstrated new levels of economic connectedness. The Asian 'tiger' economies had benefited from the rapid increase of financial flows to developing countries in the 1990s and were widely held to be positive examples to the rest of the world. But the heavy flows of short-term capital, often channelled into speculative activity, could be quickly reversed, causing currencies to fall dramatically and far in excess of any real economic imbalances. The inability of the prevailing international financial regime (the International Monetary Fund, Bank for International Settlements, etc.) to manage the turmoil created a wide-ranging debate on its future institutional architecture.

A further important structural change is arising from recurrent exchange rate crises, which have become, since the 1990s, a dominant feature of the current system. Fixed exchange rates are ceasing to be a viable policy option in the face of global capital flows of the current scale and intensity. Between 1990 and 1999 the percentage of countries operating floating exchange rate regimes increased from 21 per cent to 41 per cent (*Financial Times*, 8 Jan. 2002, p. 10). The choice faced by countries is increasingly between floating rates and monetary union – shown by the launch of the euro and discussion of dollarization in Latin America.

It is easy to misrepresent the political significance of the globalization of economic activity. National and international economic management remains feasible (Held et al., 1999; Hirst and Thompson, 1999). Many states continue to be immensely powerful and to enjoy access to a formidable range of resources, infrastructural capacity and technologies of coordination and control. The continuing lobbying of states and intergovernmental organizations (for example, the World Trade Organization (WTO)) by MNCs confirms the enduring importance of states to the mediation and regulation of global economic activity. Yet economic globalization has significant and discernible impacts which alter the balance of resources, economic and political, within and across borders, requiring more sophisticated and developed systems of global and regional regulation (see the discussion below, pp. 5–7).

Global environmental change

Economic globalization has had a substantial impact on the environment, although it is by no means the sole cause of global environmental problems. From the outset, it is important to distinguish a number of different forms of global environmental change. They include:

- encounters between previously separated ecological systems of different parts of the world;
- the overspill of the effects of environmental degradation from one state to another (involving the creation, for example, of environmental refugees);
- transboundary pollution and risks (such as acid rain and nuclear power);
- transportation and diffusion of wastes and polluting products across the globe (toxic waste trade, global relocation of dirty industries);
- pollution and degradation of the global commons (the oceans and the atmosphere);
- and, finally, the formation of global institutions, regimes, networks and treaties that seek to regulate all these forms of environmental degradation.

It needs to be stressed that until the early to mid twentieth century most forms of environmental damage – at least those that could be detected – were concentrated in particular regions and locales. Since then, the globalization of environmental degradation has accelerated as a result of a number of critical factors: fifty years of resource-intensive, high-pollution growth in the countries of the OECD; the industrialization of Russia and other states of the former Soviet Union and of Eastern Europe; the rapid industrialization of many parts of the South; and a massive rise in the global population. In addition, it is now possible to understand risk and environmental

change more deeply and with much greater accuracy: for instance, the consequences of the steady build-up of damaging gases in the earth's atmosphere (carbon dioxide, methane, nitrous and sulphur oxides, CFCs).

In response to the intensification of, and publicity surrounding, environmental issues, there has been an interlinked process of cultural and political globalization. This can be exemplified by the emergence of new scientific and epistemic communities; new environmental movements organized transnationally and with transnational concerns; and new international institutions, regimes and conventions such as those agreed in 1992 at the Earth Summit in Brazil and in subsequent follow-up meetings. Unfortunately, none of the latter have as yet been able to acquire sufficient political influence, domestic support or international authority to do more than (at best) limit the worst excesses of some of the global environmental threats.

Not all environmental problems are global, of course; such a view would be highly misleading. Nonetheless, there has been a striking shift in the physical and environmental conditions – that is, in the extent, intensity and rapid transmission of environmental problems – affecting human affairs in general. These processes have moved politics dramatically away from an activity which crystallizes first and foremost around state and interstate concerns. It is clearer than ever that the fortunes of political communities and peoples can no longer be simply understood in exclusively national or territorial terms. In the context of intense global and regional interconnectedness, the very idea of political community as an exclusive, territorially delimited unit is at best unconvincing and at worst anachronistic. In a world in which global warming connects the long-term fate of many Pacific islands to the actions of tens of millions of private motorists across the globe, the conventional territorial conception of political community appears profoundly inadequate. Globalization weaves together, in highly complex and abstract systems, the fates of households, communities and peoples in distant regions of the globe (McGrew, 1997, p. 237). While it would be a mistake to conclude that political communities are without distinctive degrees of division or cleavage at their borders, they are clearly shaped by multiple cross-border interaction networks and power systems. Thus questions are raised both about the fate of the idea of political community, and about the appropriate level for the effective regulation of human affairs: the national, the regional or the global. The proper locus of politics and the articulation of the public interest becomes a puzzling matter.

Political globalization

Economic and environmental globalization has not occurred in a political vacuum; there has been a shift in the nature and form of political organization as well. The distinctive form this has taken in the contemporary period is the emergence of 'global politics' – the increasingly extensive form of political networks and activity. Political decisions and actions in one part of the world can rapidly acquire worldwide ramifications. Sites of political action and/or decision-making can become linked through rapid communications into complex networks of political interaction. Associated with this 'stretching' of politics is a frequent intensification or deepening of global processes such that 'action at a distance' permeates the social conditions and cognitive worlds of specific places or policy communities (Giddens, 1990). Consequently, developments