

**CHECK AGAINST DELIVERY**



**"Global Governance: Lessons from Europe"**

**Bocconi University**

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**Director - General**

Dear President, caro Mario

Dear Rector,

Distinguished Guests,

Ladies and Gentlemen,

I am very proud to be at the Bocconi University today to inaugurate the academic year 2009- 2010. For over a century this university has remained true to its founding values of being a major research university, with democratic values, engaged in Europe and open to the world.

Today is a very special day for Europe. Just today, 20 years ago, I was in Brussels, serving as Chief of Staff to the President of the European Commission, Jacques Delors. Every five minutes I was receiving on my desk newswires describing how the border guards were coping with the masses that started to gather at the Berlin wall.

Then we saw the big news: the wall had fallen. The guards who, two hours earlier, would have shot at their brothers were now letting the crowds through. Jacques Delors called Chancellor Kohl and found him as surprised as we all were. We knew then that history was calling. We were at the start of a

new era – one which was predicted to be stable and peaceful, what Francis Fukuyama called the end of history.

The fall of the Berlin wall was indeed a turning point in globalization. The end of the cold war led to an unprecedented era of economic openness. We saw a reduction in poverty like never before. Freedom expanded and with it ideas, culture and technology.

And yet 20 years later the world is in a state of serious distress. We are in the midst of the worst ever economic crisis and the first to have a global reach. A crisis which has seen a decimation of employment. We are seeing our planet deteriorate due to global warming. With severe droughts and violent floods. With entire islands disappearing under water. With nuclear proliferation which poses a serious threat to world peace and security. What went wrong?

The reality is that the end of the cold war caught everyone by surprise. It was the end of a bi-polar world. A new world order was being born. And yet there was not enough thinking and discussion about its governance structures. There was never a Bretton Woods Conference or a San Francisco Conference post 1989. As a result global governance structures did not adjust. And here lies the root of many of today's problems. Global challenges need global solutions

and these can only come with the right global governance, which today, twenty years later, remains too weak.

And yet there is a place on earth where new forms of global governance have been tried following World War II: in Europe. More than half a century ago Jean Monet said: *“the sovereign nations of the past can no longer provide a framework for the resolution of our present problems: And the European Community itself is no more than a step towards the organizational forms of tomorrow’s world”*. This was as valid then as it is now.

### **Governance to which end?**

What do I mean by global governance? For me global governance describes the system we set up to assist human society to achieve its common purpose in a sustainable manner, that is, with equity and justice. Growing interdependence requires that our laws, our social norms and values, our mechanisms for framing human behaviour be examined, debated, understood and operated together as coherently as possible. This is what would provide the basis for effective sustainable development in its economic, social and environmental dimensions.

Whether public or private, governance needs to provide leadership, the incarnation of vision, of political energy, of drive.

It also needs to provide legitimacy, which is essential to ensure ownership over decisions which lead to change. Ownership to prevent the in-built bias towards resistance to modify the status quo.

A legitimate governance system must also ensure efficiency. It must bring about results for the benefit of the people.

Finally, a governance system must be coherent. Compromises would need to be found over objectives which often may contradict one another. It cannot be about the right hand not knowing what the left hand is doing. Or, even worse, it cannot be about knowingly moving them in different directions.

### **Specific challenges of global governance**

As with any system of power within the nation-state, what is needed is “good” global governance. A system which offers a good balance between leadership, efficiency and legitimacy, and which ensures coherence.

What then are the specific challenges of global governance?

The first challenge stems from the difficulty to identify leadership. Who is the leader? Should it be a super power? A gathering of national leaders? Selected by whom? Or should it be an international organization?

As to classical legitimacy, this entails citizens choosing their representatives collectively, by voting for them. But it also relies on the political capacity of the system to bring forward public discourse and proposals that produce coherent majorities and provide citizens with the feeling they are participating in a debate. Since legitimacy depends on the closeness of the relationship between the individual and the decision-making process, the challenge of global governance is distance. The other legitimacy challenges are the so-called democratic deficit and accountability deficit, which arise when there are no means for individuals to challenge international decision-making. In sum, the specific challenge of legitimacy in global governance is to deal with the perceived too-distant, non-accountable and non-directly challengeable decision-making at the international level.

As with legitimacy, coherence is also proper to the nation state and it is transferred to specialized international organizations whose mandates are

limited. In theory there should be no problem. The coherent action by the nation-state in the various remits of international governance would be translated into a coherent global action. But we all know that nation-states also have the monopoly of incoherence. In practice they often act incoherently and here lies the third challenge of global governance: how to deal with partial and incoherent efficiency.

Finally, remoteness of power and multiple levels of government pose a challenge for efficiency. Nation-states resist more or less intensely – largely depending on the state and on the topic – transferring or sharing jurisdiction over certain matters within international institutions. And the national diplomatic systems often do not reward international cooperation. As I have said on numerous occasions, I know of no diplomat having been fired for saying "no" whereas I know some who have been fired for having said "yes"!

Handling global problems using traditional domestic democracy models has important limitations, as we have just seen. And yet the very credibility of domestic democracies is at risk if global governance does not find its own democratic credentials. If citizens feel that the issues which affect them daily cannot be adequately dealt with.

## **Europe as a new paradigm of global governance**

In these troubled times for the European Union it is no easy matter to present it as a new paradigm of global governance. And yet the European construction is the most ambitious experiment to date in supranational governance. It is the story of a desired, defined and organized interdependence between its member states. It is therefore worth examining how Europe has coped with the challenges I have described above.

My starting point is the building of Europe as work in progress. It is not complete in any of its dimensions. Not in that of geography. Not in its depth, that is, in the powers conferred by its member states to the European Union. And certainly not in the sense of identity that provides the glue which holds any human society together.

My second warning is that the European paradigm is specific to the conditions of temperature and pressure prevailing in the European continent. A continent ravaged by two world wars which left millions dead and many more millions of men and women in search of peace, stability and prosperity. I would therefore recommend caution when trying to ascribe universal value to what is

today only a part of our world. Indeed, other paradigms are also emerging around the world which reflect their own specific conditions.

The creation of the European Coal and Steel Community in the 1950s was the result of the political will to move beyond these two world wars. This political will was to see peace take root in what Robert Schuman called “de facto solidarities”. The men and women of that time embodied this will in a concrete project: combining the two essential pillars of the economies of the time – coal and steel. To the will and the concrete objective they added a third element: the creation of a *sui generis* supranational institution – the High Authority of the European Steel and Coal Community.

At the heart of this initial venture was the essence of the European project: the creation of a federal space where decisions can be taken which are directly applicable and enforceable on the member states: a space of pooled sovereignty. A space in which its Members agree to govern live among themselves without having to permanently recourse to international treaties.

What marks the essence of the European governance paradigm is the coming together of a political will, a goal to be attained as well as an institutional set up. It is the combination of these three elements and not the

specific method of governance used. Not that we should underestimate the technological leap forward in the building of Europe.

The fact that Community law takes precedence over national law. The creation of a supranational body such as the European Commission that has been given the monopoly of initiating legislation. A European Court of Justice whose decisions are binding on national judges. A Parliament composed of a senate of member states and a house of representatives elected by the European "demos" and which has gained in competences over the years.

These are just a few of the things that, taken together, make the European Union a radically new economic and political entity on the scene of international governance. But this unprecedented creation could not be the product of those innovations alone. Indispensable and indisputable though they are, those institutional innovations are still inseparable from the conditions from which they emerged. It is agreement on the substance that permits agreement on the form.

## **A scoreboard of the European governance paradigm**

How does the European paradigm score on the elements of governance mentioned above?

I believe European governance can fare well on leadership and I will use two examples to illustrate it. The first one is the campaign for the creation of the internal market in 1992, first launched by Jacques Delors in 1985. A strong political will emerging after a difficult economic and political period. The clear objective of erasing internal barriers to the movement of goods, capital and people, and a major institutional reform which led to the acceptance of majority voting instead of unanimity for the adoption of decisions leading to the creation of the internal market.

The second one is the creation of the euro. It took over twenty years to gather the political will and to define the objective, to be followed by the creation of the European Central Bank, possibly the most federal of the European institutions.

But we have also seen less successful manifestations of leadership. Take the example of the Lisbon agenda where there has been a conspicuous absence of political will and only half shared objectives.

I also believe that Europe scores positively on coherence. Institutionally the fact that the European Commission acts on the principle of collegiality and has the monopoly of initiating legislation on most areas under Community competence, and the growing powers of the European Parliament are drivers of greater coherence. The reinforcement of community competences, including through the Lisbon Treaty, is also a catalyst for greater coherence.

But as in all federal systems, the frontiers between the national and the federal often remain unclear with the consequent scope for incoherence. Suffice it to look at areas such as macro-economic policy coordination, budgetary matters, energy or transport.

Moving on to effectiveness, I also believe Europe scores rather highly. The role of the European Court of Justice in ensuring respect for the rule of law, the extension of majority voting for decision-making and the capacity of the European Commission to police compliance with European rules have all been drivers of European effectiveness.

If there is an area where Europe would get a B minus, it is probably in legitimacy. We are witnessing a growing distance between European public opinions and the European project. One could have expected that the European

institutional set up, with growing powers entrusted to the European Parliament would have resulted in greater legitimacy, but this is contradicted by the declining numbers participating in elections to the European Parliament. In theory there is no democratic deficit. But in the practice we witness what Elie Barnavi has called "Frigid Europe". In spite of constantly striking institutional flints over the past 50 years, there has been no resulting democratic spark.

The anthropological dimension of *supranationality* has probably been underestimated. Once the imminence of the menace of a new war has disappeared from our horizon, it is as if the glue that holds Europe together as a community will also disappear. As if there were no common myths, dreams and aspirations.

### **Ingredients needed for a successful integration process**

In my view three ingredients are needed for a successful integration process. First, the political will to act together. Second a common project. And third an institutional machinery to make it work.

Looking into the areas where European integration has scored above average I would argue that these should include the construction of the EU internal market, the European Monetary Union and trade policy.

The fact that Europe is now a vast union of 27 Member States, of around 500 million citizens, representing over one quarter of world trade, accounting for the world's largest GDP and speaking through one mouth with one voice gives Europe the capacity to defend its vision of trade opening accompanied by rules.

On the environment, Europe has a leadership role in the world which is a reflection of the large consensus existing within Europe on the protection and preservation of the environment. And yet the institutional set-up within which Europe acts, the mixed competences and different voices, in my view, prevent Europe from fully displaying its effectiveness in this area. This is an area where Europe breaks even.

There are, however, two areas where Europe is, in my view, not fully punching its weight in the world. On development aid, the EU is the world largest donor. The European flag can be seen at almost every major humanitarian crisis. This is backed by a strong citizen support. In a

Eurobarometer poll published just a month ago, 72% of Europeans are in favour of honouring or going beyond existing aid commitments to the developing world. This means that despite the sharp economic downturn, public support for the European Union's motto "keeping our promises" is real. And yet I believe that Europe has so far had a limited influence in the setting of world development policies.

The second is the Common Foreign and Security Policy. The good news is that European citizens demand more and better from Europe in foreign policy. But here we touch upon one of the areas where symbolic barriers, those of dreams and nightmares, those of collective identities and myths remain powerful. This is why I believe that building a European foreign and security policy will require a permanent compromise between interests and values. The creation of the High Representative of the Union for Foreign and Security Policy, who will be the Vice-President of the European Commission and who will chair the General Affairs Council is, in my view a step in the right direction. But it will also take a common will to act together and a common concept, a sort of shared project, to get there.

Ladies and gentlemen,

There are a number of lessons that we can draw from the more than 60 years of European integration.

The first one is that institutions alone cannot do the trick. Neither can political will without a clearly defined common project. Nor can a well-thought-through common project deliver results if there is no institutional machinery. The reality is that we need the three elements together to create an integration dynamic.

But even if these three elements are there, there is a risk that a real or perceived legitimacy problem remains, creating a glass ceiling for further integration. The reality is that supranational institutions, and the European Union is one, require a long term investment. And this is often incompatible with the short term attention span of many of its leaders who are often elected on thin majorities or with fragile coalitions. Global legitimacy requires long term care and attention.

### **Lessons of the European integration for global governance**

I have often likened governance systems to the three states of mass. The national level in my view represents the solid state. The international system is

more like the gaseous mass. And in-between these lies the European integration process, in a kind of liquid state.

Whichever the state of the mass, what is required to have a governance system work is a combination of political will, capacity to decide and accountability. In this respect, European integration provides us with many useful lessons for global governance. I would like to focus our attention today on a few of these.

The first lesson I would draw is the importance of the rule of law and that of enforceable commitments. Global governance must be anchored in commitments adopted by stakeholders, in rules and regulations with mechanisms which foster and promote its respect. This is at the heart of the multilateral trading system, with its more than 60 years of regulating trade among nations and with its binding dispute settlement system as a means to ensure compliance with these rules. This is also at the heart of what the international community is trying to do on climate change: a multilateral deal where nations commit to emissions reduction accompanied by measures to facilitate adaptation and mitigation. This is also what the international community is striving to achieve in the on-going negotiations on non-proliferation. Commitments which are anchored in a multilateral context, which

can be monitored and subject to dispute settlement, foster efficiency and greater coherence.

The second lesson I would draw for global governance is that of respect for the principle of subsidiarity. It is about performing functions at the level where these are more effectively carried. And here I would like to quote from the recent encyclical letter of Pope Benedict XVI "Caritas in Veritate" when he argues that *"the governance of globalization must be marked by subsidiarity, articulated into several layers and involving different levels that can work together. Globalization certainly requires authority, insofar as it poses the problem of a global common good that needs to be pursued. This authority, however, must be organized in a subsidiary and stratified way, if it is not to infringe upon freedom and if it is to yield effective results in practice."* The international system should not be overburdened with issues which are better dealt with at the local, regional or national level.

The third lesson is that "coherence starts at home". Coherence lies first and foremost with the members of international organizations. Take the United Nations. We can and must have the "UN Delivering as One", but we also have to see the "UN Members behaving as One" in the different organizations which make up the family of the United Nations.

The final lesson I would draw is that since the political "demos" remains essentially national, legitimacy would be greatly enhanced if international issues become part of the domestic political debate. If national governments are held accountable for their behaviour at the international level. The exercise of democracy at the national level, needs to integrate an international dimension to foster legitimacy at the global level. The fact that the governments which represent states at international organizations are the result of citizens' choices through domestic elections is, in itself, not sufficient to ensure the legitimacy of the international organizations. The fact that in an organization like the World Trade Organization, decisions are taken by consensus and where each country has one vote may not be enough to create a sense of legitimacy in the actions of the organization. More is required. National actors - political parties, civil society, parliaments and citizens - need to ensure that issues which are part of the "global level" are discussed at the "domestic level".

The good news is that many of these issues are already work in progress and that therefore we need not expect a big bang. The global economic crisis we are witnessing has accelerated the move towards a new architecture of global governance, in what I have called a "triangle of coherence".

On one side of the triangle lies the G20, replacing the former G8, providing political leadership and policy direction. On another side lie member-driven international organizations providing expertise and specialized inputs be they rules, policies or programmes. The third side of the triangle is the G-192, the United Nations, providing a forum for accountability.

In the longer term, we should have both the G20 and the international agencies reporting to the “parliament” of the United Nations. In this respect, a revamping of the UN Economic and Social Council could lend support to the recent resolution adopted by the UN General Assembly on a UN- system wide coherence. This would constitute a potent mix of leadership, inclusiveness and action to ensure coherent and effective global governance. With time, the G20 could even be a response to the reform of the UN Security Council.

A structure of this type needs to be underpinned by a set of core principles and values. And this is precisely what German Chancellor Angela Merkel has proposed with the creation of a Charter for Sustainable Economic Activity. It is a commendable effort to provide a "new global economic contract", to anchor economic globalization on a bedrock of ethical principles and values which would renew the trust that citizens need to have that globalization can indeed work for them. It is a signal of our times that this

initiative comes from Berlin, Germany, today a re-united country at the heart of Europe.

## **Conclusion**

Ladies and gentlemen,

Globalization today is posing a serious challenge for our democracies, and our governance systems must respond to the challenge. If our citizens feel that the global problems are insoluble, if they feel they are out of reach, this will risk emasculating our democracies.

The same will be true if our citizens see that global problems can be addressed but they have no influence on the result.

Today, more than ever, our governance systems, whether in Europe or at the global level must provide citizens with avenues for shaping tomorrow's world, the one they want their children to inherit. Among the many regional integration attempts, the European Union remains the laboratory of international governance. the place where the new technological frontier of international governance is being tested.

Thank you for your attention and I wish you a fruitful academic year.