

## **“The World Trade Organization: a Laboratory for Global Governance”**

Malcolm Wiener Lecture – John F. Kennedy School of Government – Harvard University

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[http://www.wto.org/english/news\\_e/sppl\\_e/sppl47\\_e.htm](http://www.wto.org/english/news_e/sppl_e/sppl47_e.htm)

**I am happy to be with you today and, in my first trip to Boston as WTO Director-General, to share with you some thoughts on global governance and the contribution that the World Trade Organization can make. And what better place to do this than here, at the John F. Kennedy School of Government, in the Malcolm Wiener lecture. Malcolm Wiener, the author of numerous works on the ancient Mediterranean and Egyptian world but also of more recent realities such as the transformation of the Soviet Union or the US economy is indeed a good source of inspiration for tonight’s discussion: how globalization obliges us to look for new forms of addressing global challenges, beyond the traditional nation-states.**

### *Globalization raises global governance issues*

**Globalization has enabled individuals, corporations and nation-states to influence actions and events around the world — faster, deeper and cheaper than ever before — and equally to derive benefits from them. It has the potential for expanding freedom, democracy, innovation, social and cultural exchanges while offering outstanding opportunities for dialogue and understanding.**

**But the global nature of an increasing number of worrisome phenomena — the scarcity of energy resources, the deterioration of the environment and natural disasters, the spread of pandemics, the growing interdependence of economies and financial markets and the migratory movements provoked by insecurity, poverty or political instability are also a product of globalization.**

**At the same time, there is a widening gap between global challenges and the traditional ways of working out solutions, our traditional institutions. Globalization is at the same time a reality and an on-going process that cannot be met by nation-states alone. We therefore need to contemplate new forms of governance at the global level.**

**But what do I mean by governance and what is the difference with government?**

**The term “governance” was first used in 12th century France, where it was a technical term designating the administration of baillages, or bailiwicks. As with the word government, it comes from the Latin word for “rudder”, conveying the idea of “steering”. From France it crossed the Channel and in England came to designate the method of organizing feudal power. Underlying feudal power were adjacent “suzerainties” among which there had to be coherence. There was no central power as such, but a body, *primus inter pares*, whose purpose was to settle disputes peacefully and see that any conflicting interests were reconciled by consultation with those involved.**

**Governance thus focused on unity — not uniqueness — of interests. If we liken the international society to a medieval society in its lack of any organized central power, then it needs governance. In other words a concept that affords a basis for the organization of power, or the elements of consultation and dialogue necessary to securing greater harmony.**

**The concept of governance disappeared in the 16th century with the emergence of the State, because the two notions “governance” and “government” are profoundly different. Governance removes the political dimension from government. The latter belongs to Westphalia Nation States and their particular modes of government, legitimacy and representativeness. Governance is a decision-making process that through consultation, dialogue, exchange and mutual respect, seeks to ensure coexistence and in some cases coherence between different and sometimes divergent points of view. This involves seeking some common ground and extending it to the point where joint action can be envisaged.**

**Globalization reveals a new sphere of common interests that transcends States, cultures and national histories. We need to go beyond the classical inter-nations system. Indeed, the disproportion between the enforcement role of States and their actual capacity to handle issues calls for new forms of governance.**

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

**As with any system of power within the nation-state, what is needed is “good” global governance, that is a system that offers a good balance between efficiency and legitimacy, adapted to this new universal context.**

What then are the specific challenges of global governance as opposed to the classical systems of national governance?

In my view, elements of *legitimacy* must be based on institutions and procedures. Classical legitimacy 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 that they can debate the issues. In other words, the political system must represent the society, and allow it to see itself as a whole, with all its members using the same language and experiencing the same feelings.

Since legitimacy depends on the closeness of the relationship between the individual and the decision-making process, the first challenge of global governance is *distance*.

The other legitimacy challenge refers to the so-called *democratic deficit* and the *accountability deficit*, which arise when there are no means for individuals to challenge international decision-making.

Although transparency remains crucial to ensure that governments are both accountable and challengeable at home, classical definitions of domestic accountability and democracy cannot be simply transposed and applied in the international institutions context. We have to explore how to ensure that citizens have the *feeling* that they belong, that they can influence the choices made by their society, and that they can recognize themselves in their representatives.

The specific challenge of legitimacy in global governance is therefore to deal with the perceived too distant, non-accountable and non-directly challengeable decision-making at the international level.

The second element in the validation of power is *efficiency*. Citizens expect governments to be able to identify the problems and expect results from institutions with political responsibilities. But quantifying efficiency in concrete terms is not easy. When power is remote and when there are multiple levels of government, the task becomes even more complicated.

The first efficiency challenge of any global governance system stems from the fact that the classical Westphalian order is based on the full sovereignty monopoly of nation states. We must find ways to address the opposition from sovereign nation-states who resist more or less intensely — depending on the state and on the subject matter — transferring or sharing with international institutions their jurisdiction over certain matters.

The second specific challenge is that of the *lack of coherence among international institutions*. Even when traditional state power is (partly) transferred to an international institution, it is handed over only to very specialized international institutions whose mandates are limited and whose direction/instructions come solely from nation-states' authorities. As the saying goes, "coherence begins at home": it lies first and foremost with

**States. But we all know that States are often not coherent and do not act coherently, so how can the actions of their institutions be coherent? The overall specific efficiency challenge of global governance is to deal with partial and incoherent efficiency.**

**Handling global problems in relying on classical models of domestic democracy has important limitations. Yet we need to ensure feelings of legitimacy and efficiency otherwise citizens will lose trust in their local/national government if trans-national issues that affect them daily cannot be adequately dealt with. In this sense there is a continuum between the credibility of domestic democracies, which is at risk if global governance does not find its own democratic credentials.**

### *Pragmatic steps towards elements of global governance*

**Growing interdependence and global governance involve the recognition of the role and responsibilities of new actors, openness of processes, authentic and effective participation, accountability of those acting and coherence.**

**How can the interdependence of our world be better managed? In my view, four elements should guide us.**

**First of all, values. Values allow our feeling of belonging to a world community, embryonic as it may be, to coexist alongside national specificities. We must identify common values alongside common interests. Second, we need actors who have sufficient legitimacy to get public opinion interested in the debate, who are capable of taking responsibility for its outcome and who are held accountable. Third, we need fora for discussions and negotiations with transparency. Fourth, we need monitoring, surveillance and enforcement of States' actions performed in a legitimate manner.**

**I am not proposing an institutional revolution but, rather, a combination of global ambition and pragmatic suggestions. Building global governance is a gradual process, involving changes to long-standing practices, entrenched interests, cultural habits and social norms and values.**

### *And the WTO in all this?*

**Where does the WTO feature in this landscape and in this process? The main mission of the WTO is to open markets and regulate world trade for the benefit of all people. To perform our task we use four main channels: first, we offer a forum where our members**

negotiate international agreements which are then adopted; second, we have monitoring and surveillance mechanisms — including peer reviews — of Members' actions; third, we have a strong mechanism of adjudication and enforcement of Members' obligations; finally, we have a mandate to ensure coherence with some other international organizations.

Let's assess the WTO's operations against the four elements of governance I mentioned earlier.

The basic value underpinning the WTO is that market opening is good. The multilateral trading system helps to increase economic efficiency and it can also help reduce corruption and bad government. At the same time the WTO also recognizes the importance of values other than market opening and trade efficiency. First, in its Preamble the WTO agreement recognizes sustainable development as one of its objectives. This calls for the consideration of fundamental values other than those of market opening to include, for instance, the protection of the environment, development as well as social values. WTO Members have the right to deviate from market opening obligations to favour values of public morals, the protection of health of people, animals or the conservation of natural resources. Moreover, pursuant to the WTO agreement, each Member is free to determine the values to which it gives priority and the level of protection it deems adequate for such values.

Concerning the actors, the WTO is a classic international organization where governments are Members. Many argue that the WTO has problems of accountability. I believe that accountability with our Members is high. The old club of the GATT has now given way to new groupings of states and coalitions: a new G-6 (Australia, Brazil, EU, India, Japan, USA) has replaced the old QUAD (Canada, EU, Japan, US). The proposals of the G-20 — an alliance of developing countries on agriculture — are now the benchmarks in many areas of the on-going negotiations. There are also important new actors such as the G33 group of developing countries or the African Group of nations. Those who attack small format meetings — such as “green room” meetings — ignore the fact that, with around 150 Members today, decisions to be taken by the entire membership need first to be prepared in smaller formats, like committees in a parliament. Consensus among all Members for the adoption of decisions ensures legitimacy.

Vis-à-vis non-state actors, however, the situation is more problematic. Indeed, we have no mandate from our Members to enlarge the WTO family beyond governmental representation. Yet, we have made efforts within the current system. We now have annual Public Fora open to all participants, States and non-States, regular WTO briefings are held for NGOs and parliamentarians. Members of civil society can send *amicus curiae* briefs to WTO adjudicating bodies (Panels and the Appellate Body) during dispute settlement procedures. Just this year for the first time, some hearings in on-going panels have been open to the public.

Regarding the WTO as a locus for discussion, it is important to note that the WTO provides a permanent forum for negotiations among its Members concerning their multilateral trade relations. Global governance requires intense discussions and

negotiations and, from that perspective, the institutional structure of the WTO is well developed. We have various levels and forms of decision-making that can be multi-stage and sequential. All in all, it ensures that issues brought to the WTO cannot simply be swept away.

Finally, on the WTO monitoring/surveillance and enforcement mechanisms, there are numerous WTO committees and councils where Members' legislation is subject to peer review. The WTO Trade Policy Review Mechanism enables the regular collective evaluation and appreciation of WTO Members' trade policies and practices and their impact on the functioning of the multilateral trading system. Through greater transparency and understanding of trade policies, this review mechanism contributes to improved adherence by all Members to rules, disciplines and commitments made under the WTO agreements. The on-going negotiations will reinforce this surveillance in the crucial area of regional trade agreements concluded by our Members. The WTO will also soon host a surveillance forum Aid for Trade provided bilaterally, regionally and multilaterally.

In the WTO, the non-observance of the rules may give rise to litigation and the litigants are bound to accept the decision of panels or the Appellate Body. Otherwise, sanctions can be imposed. For many critics, the existence of sanctions allows trade to take precedence over other sectors of international governance, including health, the environment or fundamental human and social rights. The experience of ten years of dispute settlement shows that, on the contrary, the WTO has been sensitive to maintaining the balance between trade and non-trade values.

Although far from being a perfect model, the WTO is nevertheless a laboratory for harnessing globalization and contributing to the construction of a system of global governance. A place where evolving global governance can find some roots in ensuring legitimate decision-making. As well as an institution that can also evolve in providing for the increasing participation of non-traditional international and domestic actors. A fora where values can be discussed, and this is crucial as trade restrictions will become more and more value-based. Given its economic and political dimensions, the WTO can be a fundamental player in the building of a system of global governance. I very much hope that all WTO Members consider the contribution that the WTO can make to ensuring that globalization works to the benefit of one and all peoples, as they reflect on the resumption of the negotiations under the Doha Development Agenda.