

UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE

GENEVA, 22 FEBRUARY 2005

GUNNAR MYRDAL LECTURE PASCAL LAMY- GLOBAL GOVERNANCE: LESSONS FROM EUROPE

It is a great honour for me to address you here, in Geneva this evening, Madame Executive Secretary, on the occasion of this annual lecture which bears the name of the most prestigious of your predecessors. I first became aware of the magnitude of that honour when you were kind enough to invite me. I appreciated it even further when I learned the names of the two speakers who had preceded me to this rostrum in 2003 and 2004. The first, Professor North, holds the Nobel prize, as did Gunnar Myrdal. The second, Joseph Stiglitz, is also a Nobel prize winner. A consideration of their merits at first filled me with terror, then with hope, and lastly with determination.

My terror stemmed from the great distance that separates a practitioner like myself from the lofty eminence of economic science inhabited by the Nobel prize winners. Compared to those heights, my academic qualifications are modest and my basic equipment quite primitive.

My subsequent hope sprang from the fact that you had judged me worthy to give this lecture, which meant that the bridge between theory and practice was one that could be crossed. And my determination, finally, arose because I found out, through you, that Gunnar Myrdal had been the Minister of Trade of the Kingdom of Sweden from 1945 to 1947, and 1947 happens to be the year of my birth. A happy portent! It is possible then to pass from the world of politics and negotiation to that of the scientific aspects of economics. It only remains for me to dare to do so, and that I shall attempt before you now, under the banner of Gunnar Myrdal.

What is that banner? It is, clearly, that of one of the great thinkers and actors of social democracy. But, out of respect for the convictions of each and everyone here this evening, I shall not start my climb from that particular base camp. I shall start from Myrdal's considerations of the interdependence between economic, social and institutional phenomena, which was what won him his Nobel prize. I shall start from the deep knowledge that he showed of economic development in Europe, America and Asia; from the key role he assigned to institutions in the management of economies; and from the conviction he acquired, and I have myself espoused, of the benefits of opening up trade for reducing poverty and furthering development. And if my words from time to time echo what I said a few weeks ago quite near here, please put it down merely to a great coincidence in terms of the timing of events and to some consistency in my thinking.

But if I am to succeed to any degree in approaching the mountain from which Gunnar Myrdal looks down on us, I shall have to start from his terrain, that is, from his time, the middle of the last century, in order to journey to our own, the beginning of the present century. What Myrdal then called "institutional phenomena" has in fact changed its name: today we call it "governance". And the scale that he used, the scale of his work on his own country, on the

European continent with Kaldor and Rostow, or later on Asia, has also changed. Our scale today is one of globalization. Ours is the world of interdependence. But these changes in no way lessen the relevance of the thinking expressed by Myrdal in those terms and on that scale. To the contrary; if we attempt to transpose Myrdal's statements into today's world, we are led directly to this evening's question: what is the right kind of governance for a world that is now global?

Governance: how rather than how much

That today's interdependence is out of all proportion to that of yesterday is a truism. So too is the fact that our institutional systems are still tailored to fit the frame of yesterday's nation states. And so, logically, the fact that the gap that has opened between global challenges and ways of working out solutions to them, which have remained local, should create a problem is no longer in dispute today. And the question is not whether we need more global governance or not; it is how much governance is necessary and, above all, in order to move on to action, it is how to proceed.

I shall not dwell on the question of *how much* governance. It is a matter of supreme political and philosophic importance; but it brings into long-term conflict different concepts of human societies and of economic management, liberals and interventionists, the partisans of an out-and-out market economy, on the one hand. On the other, the supporters of regulation without which, they feel, the best cannot be achieved. I shall not dwell on that for one simple reason: the most liberal themselves concur in the diagnosis I have just made of an insufficiency of global governance. And from that point of view, I willingly grant them a fundamental principle of democracy: governance should by preference be local and only if necessary assume forms more remote from the groups of people it is meant to serve. The general interest is general only if it needs to be so. That is what St. Augustine and later Althusius called the principle of subsidiarity. Let us then start from that good principle and let us entertain the possibility of more globality in governance only if it can be proved to be for the common good.

There remains then the question of *how*. This is in my view essential. How can interdependence be better managed? That is a matter for constant debate in the international community. We need only look at the discussions on reforming the United Nations system. Or, more prosaically, the rise of schemes for regional governance on the world's continents: MERCOSUR, the Andean Community, the Community of Central American States; the Community of West African States, the Community of Central African States, COMESA, SADC, the African Union; SAARC and ASEAN. And I need only recall the hundreds of occasions over the last five years on which, in all latitudes and longitudes, I have been questioned about the experience of building Europe and the lessons to be drawn from it.

I am going to give you my answer to those questions and the conclusions that I draw from it at this stage: by trying first to describe for you as simply as possible the paradigm of European integration; then by defining, in comparison, the premises for world integration as I perceive them today; and lastly by deriving there from some lessons for action. I shall in a way be reverting to the method and the approach that led to success for Gunnar Myrdal.

The tripod of European governance

Briefly to outline the European paradigm is no easy matter. But from the perspective that concerns us this evening, that must nevertheless be our starting point. The building of

Europe is in fact the most ambitious experiment in supranational governance ever attempted on the basis of the order existing in the nineteenth century, one of domestically sovereign nation states, and, at the international level, the mutual agreement of those same nation states entering into, or abandoning, alliances (or obligations) at will. The construction of Europe as a laboratory for a different kind of governance is what I propose we look at for a moment, though not without some warnings regarding methodology that I must voice, if our observation is to be analysed and interpreted advisedly.

First warning: the construction of Europe is a work in progress. It is not complete in any of its dimensions: not in that of geography, of its surface area in other words; not in that of the powers conferred on the European Union, or its depth; and not in that of the sense of identity, the glue holding human societies together, that which makes of a given political area a space one inhabits because one belongs and wants to participate in the collective endeavour. The process is in flux and has not stabilized, as we see from the recurrent debates such as the one now under way on the ratification of the draft constitutional treaty signed last year by the present twenty-five member states, which in itself only constitutes a stage.

Second warning: the construction of Europe is a specific process. To revert to the metaphor of the laboratory, it is taking place in particular conditions of temperature and pressure, those of the European continent. They are those of its history, ravaged by conflicts; those of its geography and its climates; those of its cultural and religious heritages. And I should hate to give way to the temptation of “euro-morphism”, as other peoples and civilizations frequently criticize us for doing, the temptation of ascribing universal value to what is only a part of the reality of our world.

Having heeded those warnings, how can we describe what has been going on in that laboratory for fifty years? Many have tried before me and there is no lack of analyses. The most outstanding, to my mind, do not come from Europe, but from the United States. I am thinking in particular of the contribution of Stanley Hoffman. But their weakness, as I see it, is that usually they are confined to a particular discipline: economic science (market integration, dimensional effects, the idea of an “optimal” area); political science (the relationship between the primary level – that of the member states – and the still secondary political level, that of the Union, as seen in the relationship of European elections to national political life); the institutional approach (the constitutional connection between national attributions and those conferred on the Union); and even the human sciences approach (sociology, political philosophy – I am thinking of Habermas – ethnology or anthropology in more recent times). All these approaches help us understand and shed light on the processes under way. But I think they omit the essential, that which creates the peculiar chemistry of this integration and gives it its special character:

- a desired interdependence,
- a defined interdependence,
- an organized interdependence.
- In other words, an interdependence at once desired, defined and organized.

It is that tripod which confers on European governance a characteristic unique in our history: that of integration which is non-hegemonic, peaceful, without constraint and without violence. At the same moment, defined and organized, as I said. And I insist on those words “at the same moment”. To understand European governance as it has developed so far is to understand that those three elements are indissociable. So indissociable that the presence of two of the elements leads systematically to the appearance of the third, as I shall try to demonstrate

in a moment with examples. A desired, defined and organized interdependence, then, that contains three ingredients: first, the political will to integrate; second, agreement on the goal sought (you will concur with me that it is one thing to seek to move forward, but another to define the common goal of that movement); and third, a machinery of procedures and institutions capable of producing and ensuring the governance of the expected results.

Let us, by way of explanation, take four examples of this catalysis. In chronological order they are: coal and steel in the 1950s; external trade policy in the 1960s; the internal market in the 1980s; and the euro in the 1990s.

The European Coal and Steel Community was the result of the political will to move beyond the two European wars that had infected the whole world. That will was expressed by men who were obsessed by the idea of making peace take root in what Robert Schuman called “de facto solidarities”. They thought up a concrete way of doing so, an objective embodying their desire that would combine the two essential pillars of the economies of the time: coal and steel. It was the strength of those two first elements (the will and the objective) that made possible the boldness of the third: the creation of a *sui generis* supranational institution (the High Authority of the ECSC). Gunnar Myrdal himself stressed that boldness in the lecture he gave on 25 February 1954 at Bedford College, London, on the subject “Reality and illusions of intergovernmental organizations”.

Second example: trade policy. In this area, the political will resulted from the choice to give the economic community set up in 1957 the form of a customs union. That will was sufficiently clear for the institutional arrangements to include from the outset the adoption of decisions by a majority. But the objective, the common project, namely the progressive opening-up to international trade in all areas, was the subject of bitter debate over subsequent decades between member states with a liberal tradition and those with a more protectionist tradition. It has only been over the last ten years that the tripod has been stabilized in favour of a policy of systematic liberalization, accompanied by rules ensuring an equitable distribution of benefits in the interplay of comparative advantage. And still there have been a few tremors, in recent times, in the field of agriculture, as witnessed in Geneva no longer ago than July 2004 at the time of the adoption of the Doha Development Round mid-term agreement.

Third example: the great campaign for the internal market for 1992, launched by Jacques Delors in 1985. The same elements crop up again: political will, emerging after a difficult period, strong support from determined national leaders (François Mitterrand, Helmut Kohl, Margaret Thatcher, Felipe Gonzalez, Giulio Andreotti, to mention but a few); a precise objective, agreed upon as such (in this case, the disappearance of internal borders for goods, services, capital and persons); and, in the name of that will and that agreed objective, once the objective had been agreed on, a major institutional reform whereby decisions on the creation of the internal market would change from requiring unanimity to being adopted by majority vote.

Fourth and final example, the most recent in the economic field: the euro. Here once more we find signs of political will in the 1960s. It grew gradually stronger in response to the world monetary shocks of the 1970s. It took concrete form around 1990, when the debates begun twenty years earlier on the point, the purpose and the form of a monetary union were concluded; when the experiment with the “snake” and then with the European Monetary System had reached its limits; when the incompatibility of a single market and the free circulation of capital with independent monetary policies was recognized; and when monetary stability was adopted by all the participants as the aim of monetary policy. It was an important choice and

one cannot say that it was made *in petto*, even though Joseph Stiglitz criticized it last year from the spot on which I stand today. While we admit that the political will and the definition of the objective required twenty years to come to maturity, we must nevertheless note that, once those two elements had emerged, the necessary institutional framework was brought to birth in a few months. And that was not an insignificant matter, the newborn “central bank” being of a definitely more federal constitution than its older siblings, the European Commission, the European Parliament or the Luxembourg Court of Justice.

These four examples are I think clear proof of the existence of the tripod I referred to a while ago: an interdependence sufficiently desired and well defined to be organized.

So that you may be totally convinced, I hope, let us take two contrasting examples, using rather wobblier European furniture than the solid tripods I have just mentioned: macroeconomic governance and foreign and security policy.

Where macroeconomic governance is concerned, political will is limited, an agreement on the policy mix is uncertain and, as a result, the institutional arrangements are mediocre and unstable. Paradoxical though it may appear, while the move to a single currency has been made by many member states, that towards integrated decision-making on economic policies has not. The gap between intergovernmental cooperation and harmonization is a Rubicon that has not been crossed. As for the objective to be attained, if it were crossed, that remains elusive and still masked by the concept – a debatable one in my view – of a single monetary policy associated with economic policies that remain national. The institutional arrangements, it is hardly surprising, are still unclear. First, because the respective responsibilities of national governments, the European Commission and the ECOFIN Council of economic and finance ministers of the member states are insufficiently or poorly defined. The same goes for the dialogue between the European Central Bank and the few scattered elements of economic governance put in place since 1992, which the recent draft constitutional treaty only marginally alters. And secondly, because the procedures adopted in the absence of sound institutional arrangements have revealed their weakness. I mean the Stability and Growth Pact which was meant to prevent easy budgetary solutions for “free riders” and whose trials and tribulations we know about; or the main economic policy guidelines that are decided annually, but remain largely theoretical and without any real impact on nations’ room for manoeuvre.

The second contrasting example: foreign and security policy. Here, too, not one of the three legs of the tripod has yet been consolidated, even if the draft constitutional treaty does offer some hope with regard to institutions through the creation of a position of foreign minister of the Union and an embryonic European diplomatic service. Political will remains elusive, in particular because certain member states find it difficult to contemplate sharing a role with partners whose traditional influence or whose position in international bodies is not commensurate with their own.

The objective and, more specifically, the way in which to exert influence on third countries and the nature of that influence are matters still poorly defined. I am ready to recognize that integration is inevitably more difficult in an area like foreign policy where you also have to share *what you are* than in one where to begin with you share *what you have*, as in the economic field. Sharing a market, a business cycle, growth or economic developments is something more natural in an economic system that is becoming global than is sharing a sort of identity or the dreams or nightmares that are the raw material of a foreign and security policy.

To conclude this rapid overview of what I believe forms the essence of European governance, that is the coming together of a *will*, a goal to be attained and the required institutions, I should like to emphasize that, contrary to widespread belief, it really is that coming together that is decisive and not the originality of the methods of governance employed in the particular case. Not that I underestimate the technological leap forward made right from the beginning 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 and regulations, a Court of Justice whose decisions are binding on national judges – 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 in which they emerged. It is agreement on the substance that permits agreement on the form. It is where the vehicle is bound and the comfort it provides its passengers en route that determines what institutional engine it should have, even though we know that the engine is an essential part of the equipment.

* * *

Having thus, for the purposes of our concerns this evening, given the main outline of what I earlier called the European paradigm, let us now attempt to make an inventory of the basic elements of world governance.

* * *

The triangle of global governance

Let me say from the outset that in comparison to what I have just described as a tripod, global governance today is more in the nature of a triangle. To retain the same analytical perspective, I should like to make my diagnosis by examining one by one the three elements I stressed in the case of the European experience.

First, political will. Does it exist at the global level? The answer is yes, to a certain degree, but that degree is modest. Certainly, there has long been a recognition of the need for international cooperation. It grew more evident during the last century and received strong impetus at the end of the two wars that convulsed our planet. The first time was after 1918; but that political will soon vacillated and gave way to the horror we have just commemorated at Auschwitz. The second time was after 1945, though it faded for a long time during the cold war. It did not completely disappear, however: witness your organization, the United Nations Economic Commission for Europe, which throughout all those long years remained a centre for cooperation and resistance to the division of the world into two blocs. Political will has revived since the end of communism, though we must admit it varies subject to subject. It is a matter of joining up the dots, as it were. It is clearer in the area of security than in that of development; stronger in finance than in the environment; more evident in the area of liberalization of trade in goods than in the free circulation of persons; more highly developed in economics than in justice. These variations can doubtless be explained by the fact that the peoples of the world and their representatives differ in their assessment of the benefits of a joint endeavour as against the risks from an absence of cooperation. If security is today at the top of the international agenda, it is because we now have a better idea of the cost of allowing weapons to proliferate and wars to

blight parts of our continents, of leaving terrorist networks to weave their webs out of human misfortune and the desire for vengeance. But if we scrutinize the facts, we are obliged to note that, even in this area of priority, political will is more apparent than real. And that is even more true of such issues as the development of the poorest countries, which still counts for little in the election concerns of developed democracies; or the environment, where the awareness of their duty to coming generations is of minor interest to the electorate of consumers in the richest countries and, more understandably, among populations struggling for their own survival; or again, international justice, where the existence of an international public prosecutor or the possibility of sanctions that the firewalls of national law would be powerless to halt are still shocking ideas for many.

I have taken those three examples of development, the environment and international justice to illustrate my diagnosis of a still unremarkable political will; but also to illustrate what, little by little, is contributing to changing that state of affairs: namely, the growing presence of civil society. It is as if, in the interstices of the present international system, individuals' willpower were being mobilized and coalitions of different movements being formed, helped by the revolution in information technology and the growing importance of the media, to reinforce the will expressed by states. However, whatever it leads to, that political energy is no substitute. Even if calls "to do something" are increasingly being heard, the last word, in regard to the expression of political will, rests with states and it is there that the answer and, for the moment, the limit is to be found.

How to explain that the limit we are compelled to acknowledge is placed on the development of an international political will? The explanation I want to put to you can be expressed in one word: mistrust. By and large, nation states still persist in making mistrust the foundation of the international order. I can see in this room a number of diplomats who are my friends, and circumstances as well as the rules of propriety lead me to be cautious with those whom I know less well. But I believe I am right in affirming that the diplomatic code includes a principle to which Metternich and Talleyrand are known to have given expression. According to that principle, "no one is your country's friend or enemy for ever". In other words, commitments, obligations, agreements and contracts between nation states must be reversible. "My country, right or wrong", as the English saying has it – and I refer deliberately to a member country of the European Union. Where do the roots of this mistrust lie? I think it is in the fear of hegemonic ambition. That is where the curb on the development of the political-will angle of our triangle is to be found.

I wish, at this point, just to take note of that and to pass on to the next stage.

The second angle, I would remind you, is the formulation of shared objectives which are the points on which energy and collective will, once they emerge, can be brought to bear. Without them the move from will to reality cannot take place.

From that point of view, what does the world landscape look like today? Undulating, I would say. It is dominated by heights more visible than in the past, but there are also high ridges, valleys of dissent still forming deep divisions between the participants in the international system.

I shall list among the shared objectives that have gradually emerged those that international conferences have concentrated on for several decades in the most diverse fields: the environment, health, development, fundamental social rights, women's rights, the protection of children and disarmament. And if we want the measure of this gradual emergence, let us

consider the eight Millennium Development Goals formulated by the United Nations. Eight concrete objectives, and I stress the word “objectives”, for the year 2015, to which we have all subscribed. They are better articulated, more condensed, more visible and more identifiable than the myriad resolutions adopted previously. Credit for that qualitative leap is broadly due to the United Nations Secretariat, and more especially to Kofi Annan. We know what efforts he has exerted to bring about consensus on what is now the most complete international road-map that has ever existed. Those objectives have an essential virtue: they give interdependence concrete form. By bringing the fight against poverty and the objectives of development to the fore, they define conditions in the area of health or education, to take only two examples, that reveal what Gunnar Myrdal and his colleagues called a “utility function”, a crucial instrument for governance.

Let us then consider those millennium goals as among the heights of our landscape relief. But let us look also at the valleys, the gaps and rifts in areas where consensus on shared objectives remains distant. I shall take three examples.

The first concerns energy – a globalized market if there ever was one. This is an area where we know that fossil energy is non-renewable; and a sector where technological progress has not revealed the existence of new sources capable of taking us beyond the limits we are approaching. We all know that per capita energy consumption in the United States, Europe or Japan transposed to the population of China or India produces an impossible result. And so an agreement on shared objectives, even intermediate ones, remains clearly beyond our grasp.

The second example concerns financial solidarity or, more specifically, the place to be allotted to official development aid. But the debate is ongoing about both the objective sought and the manner of reaching it. It is a debate about amounts, about the idea of a levy or global tax aimed at stabilizing permanent official resources and about what place to give to debt forgiveness. That taxation and redistribution within a human community should be core mechanisms of governance is not surprising. But that the volumes redistributed should be a good measure of solidarity is more debatable. From that point of view, Gunnar Myrdal’s arguments, which so influenced the welfare-state systems of his time, are no longer upheld by the majority today. Let us admit it: today agreement on a goal for redistribution from the richest to the poorest in our world is not a foregone conclusion.

My third example of the difficulties that continue to hinder the definition of shared objectives concerns global public goods. These are understood as goods that global governance would make it its aim to promote or defend collectively, in the rightful interest of all. Economists have shown that such collective goods can be defined by two criteria: there is no rivalry over their consumption (my consumption does not diminish that of my neighbour) and no potential consumers are excluded (since the good is being produced, I cannot be prevented from taking advantage of it). Do water, fishery resources, maritime routes, the ozone layer, tropical forests, the security of financial markets, or health figure among the things that governance should take as being public goods? Just reading that short list gives you an idea of how much remains to be done for the selection of objectives in this field.

Will, objectives. Those first two points of the triangle are only very gradually emerging, as we have seen, and the same is true of the third: institutions. Basically, the institutional arrangements of present international society, that is, what exists of global governance today, are still intergovernmental, even if, here and there, some elements of a more “community” type of governance have appeared. But in comparison to the experiment going on in the European

laboratory I described just now, the world scene remains broadly confined to what has been called the Westphalian order, that of the concert of nation states.

Making such a statement here, in Geneva, may seem paradoxical. Here we are surrounded by international organizations or institutions, especially those of the United Nations family, not to mention the Bretton Woods institutions with headquarters in Washington or again other less famous, if not less influential, organizations with a more technical or sectoral purpose. The number of those bodies is considerable and many of you, who represent your states in them, struggle with the breadth and variety of the subjects you debate and the tasks you carry out there.

You know as well as I do, perhaps better, the debates that are under way, whether it be on coherence or on the reform of the main organs of the United Nations, particularly that of the Security Council as it was set up nearly sixty years ago.

The debate on coherence is at the heart of the issue of institutional arrangements in global governance. On the one hand, there is the principle of the pre-eminence of nation states, sovereign and equal subjects of international law. On the other, there is the reality of international institutions specialized in one or other specific area of governance struggling to structure their missions or their decisions.

So, if you believe the principle, the question of coherence does not arise. But when you observe reality, it is a different matter.

For, according to the principle, in today's international relations and in the institutions that provide their structure, legitimacy is conferred only at the level of the state. In other words, once legitimacy has been built up and validated within a nation state, the hypothesis of its automatic transfer to the higher level, that of the organization of which that nation state is a member, is affirmed. The internal coherence proper to each of the member states is thus "transferred", in a sense by the quality of being transitive, to the level of the organizations to which they belong. Since the state is legally one and sovereign, the positions it adopts in each international institution, organization or assembly should necessarily be consistent one with another, like the many inflected forms of a single word. And as the same is true for each state, there is no doubt that the sum of the positions adopted by all the states in all the international forums will finally be as it were the performance of a symphony made up of each of the national scores.

So much for the theory. I shall have no difficulty in convincing you that such beautiful harmony is rarely heard in reality and that, in everyday life, your life, the coming together of national sovereignties within the concert of nations does not produce that coherence which theory posits as natural.

In a pragmatic way, that is without calling into question the theoretical underpinnings of the present international system, various formulas have been tried since the 1970s: summits of industrialized countries (G7/G8), more recently the G20 (I refer to the summit of ministers of the economy and of finance), to mention only some of the innumerable members of the "G" family, informal arrangements to resolve the technical and legal impasses I have just described.

I should also mention proposals, somewhere between the formal and the informal, aimed at introducing coherence in the reorganization of the United Nations main organs such as the idea of an economic and social security council proposed by Jacques Delors ten years ago;

or a council of sustainable development (in the economic, social and environmental sense), as suggested by others.

Whatever their degree of advancement, these debates on how the management of interdependence should be organized highlight, I believe, two aspects of this third point of our triangle.

The first is the unsatisfactory nature of the present situation: there is too much that is “local”, where institutions are concerned, to deal with problems that are more global than in the past. I shall not return to that point.

The second aspect explains and, perhaps, justifies how minor are the changes that have been made or could be envisaged in this regard: the problem is not only one of efficiency, but also of legitimacy. While one must recognize the shortcomings of a system based, as I have said, on the theory of the sovereignty of nation states, that theory does present the advantage of providing a sound and well-tested answer to the question of legitimacy: legitimacy resides with the nation states which are sovereign and consequently equal, and to change that by calling the principle into question would involve considerable risk in view of what I called that fear of hegemony which history has caused to take root in our cultures.

I shall conclude what I have to say about this point of the triangle, the institutional arrangements, by adding this: between the sovereignty of nation states and an improbable supranational order, always supposing such an order to be desirable, little by little something intermediate is being constructed that contains elements that lend a community flavour to present-day international law. I have already spoken of the Charter of the United Nations. Let us mention here what jurists call *jus cogens*, which has already set up a certain number of binding norms of international law; norms, in a sense, that states can no longer set aside in the name of their sovereignty. And so, in this panorama of ours, for so long overshadowed by the nation state and its “inter-national” arrangements, some elements of community are slowly appearing.

I shall come back to that in a moment when I deal with the lessons that I suggest can be learnt from this comparison between Europe and the world. But before that I should like to take up a subject, at the international level, which is different from all those I have just mentioned, I mean international trade.

Is the multilateral trading system an exception?

In speaking of this subject I am not trying to spring anything on you. You were no doubt expecting it! It is rather to stress how far, from our point of view this evening, the governance of international trade differs in its sophistication from what is after all the still rather primitive scene formed by the other sectors of international governance. If we go back to our three-point analytical scheme, we are compelled to note that the multilateral trading system presents some remarkable features at each of those three angles.

Political will is clearly present and has been for a long time. It has been forged, to start with, as a result of observing the negative effects of protectionism on our economies at different times in recent history and in particular between the two wars. And then from observing the positive effects of the opening-up of trade in the last fifty years. We know, however, how difficult it is for that will to find expression in the domestic policy of states. Seen through the

prism of our national political lives, trade liberalization conceals an imbalance that is fearful in the eyes of the public: on the one hand, the beneficiaries are many and, more often than not, ignorant, therefore silent; on the other, those who suffer the effects of the structural socio-economic changes trade brings are acutely aware of them and that leads them to rally to preserve the threatened status quo. That particular political equation in which the “benefit” variable is affected by a low coefficient and the “cost” variable by a high coefficient is well known to all commercial negotiators in positions of political responsibility.

To be clearly understood, I may say that one is more readily applauded when speaking of exports than of imports.

And to be even more clearly understood, I would add that that is particularly true when a trade negotiator appears before an assembly of farmers! Despite that handicap, which is sometimes hard to overcome, the political will is there, even if there are wobbles, of course, and cyclical changes in a trend which I nevertheless feel is established.

The second point of the triangle, the objective to be attained, is without doubt less clear, at any rate in its global dimension. While no “zero protection” objective exists, intermediate objectives have, however, been set and achieved during multilateral negotiating rounds. In fact, those negotiating rounds have been repeated every decade since the 1950s. And at the same time the consensus on the objectives to be attained has itself matured as the number of participants in international trade has increased and the capacity of the less developed among them to influence the negotiations has grown.

The basis of the present accords seems to me to reside in what, speaking a month ago to the General Council of the WTO, I called the “Geneva consensus”. That consensus concerns the relative weight to be given, if one wants to prioritize development, to economic liberalization, international official aid, and the finalizing of multilateral rules. According to the terms of this “Geneva consensus”, trade liberalization is necessary, but it is not sufficient. It also implies assistance: to help the least developed countries to build up their supply and therefore adequate productive and logistical capacity; to increase their capacity to negotiate and to implement the commitments undertaken in the international trading system; and to deal with the imbalances created, as I have just said, between winners and losers from trade liberalization, imbalances that are the more dangerous the more fragile the economies, societies or countries. As for the need for rules to ensure fair play in the use of comparative advantage, that is a matter of agreement, even if the exact scope of the rules to be adopted is still in debate.

The third angle of the triangle, the institutional aspect, is also distinguished by being more developed, from the point of view of governance, than other similar elements in the international system. At the WTO, the production of “legislation” is governed by procedures that are tried and tested, even if they could be improved on, as the group of wise men chaired by Peter Sutherland has recently suggested. But it is above all the existence of a dispute settlement mechanism which confers on the rules agreed to in the World Trade Organization a particularly binding force for its members: non-observance of the rules may give rise to litigation and the litigants are bound to accept the decision of the eminent persons appointed for that purpose, otherwise sanctions can be imposed, which is a considerable step to take. That change, which was brought about when GATT became the WTO ten years ago, has had the effect of raising the profile of the WTO, which is not without inconvenience. For many critics, the existence of sanctions allows trade to take precedence over other sectors of international governance, health, the environment or fundamental social rights, for example. Hence a systemic criticism is added

to the more classic complaints about the relative importance of trade in goods in exchanges between countries or societies. It has been demonstrated that the dispute settlement body has not up to now given trade policy rules precedence over other multilateral rules. But those who denounce what they see as an imbalance in governance have not been convinced.

To conclude on that point, I should point out that the question of coherence, which I dwelt on a while ago, is also more advanced where the multilateral trading system is concerned than in other areas. Not that it can be considered as satisfactory – far from it. But the member states of the WTO have given the Director-General of the organization a mandate with regard to relations with the IMF and the World Bank which is still something quite original. And that is beginning slowly to bear fruit, if one is to believe the creation of the “trade integration mechanism” at the IMF or the new developments in the World Bank’s trade liberalization programmes.

I have taken care to stress the specific character of multilateral commercial governance to better show that at present that character is the exception rather than the rule in an international system that has seen no fundamental transformation in its governance, in contrast to what has been happening on the European construction site for the past fifty years. And I would remind you that, despite its special features, the WTO remains an intergovernmental organization, “led by its members”, in the jargon, and that no one has suggested that things should be otherwise. At the WTO, as in the rest of the international system, there is nothing supranational.

Something to learn

I shall conclude my statement by attempting, on the basis of my juxtaposition of the status of European construction and that of world governance, to outline some guidance for you, men and women of action. There are five lessons to be learnt.

The first lesson teaches us that liberalization involves international cooperation. Like Janus, the globalization that has broken into our daily lives has two faces. One is all smiles and sees liberalization as a virtue and economic, social and cultural exchanges as a source of innovation and an opportunity for dialogue and understanding. The other face is far less becoming: it sees liberalization as a threat directed first at the weakest, as an irresistible pressure that destroys all identity and as an iron law of unbridled market capitalism. The free circulation of goods, services, capital and persons is nothing, then, but an unacknowledged war between national entities, multinational corporations and even civilizations. The free interplay of comparative advantage in the economic field, so dear to Gunnar Myrdal, can be but an illusion so long as norms, standards and regulations adopted by national authorities have a distorting effect on trade. That face of globalization is Hobbes’s one. Not the other, that of Kant, who dreamed of a moderate cosmopolitanism.

Globalization is like a torrent. The tumult of its waters brings down with it a silt that is precious for growth and human progress, but can also give rise to economic and social turbulence. To control this river, we must build channels of cooperation, we must master globalization and manage the different forms of interdependence that emerge at every instant thrown up by markets, production systems, communications and information technologies and migrations. One might almost express this first lesson in terms of a theorem: the more liberalization progresses, the more cooperation becomes necessary. Subject to one hypothesis that I must remind you of, the one that brings us together as it now unites the Europeans: the

preference for peace. And with one priority, tested in Europe, that is economic integration, because that is the one that best suits our market economies. On the American continent, NAFTA is another example of this. Carve the principle of cooperation in stone among our international laws and begin with the economy, that is the first lesson.

Second lesson: this cooperation requires political will and political energy to create an ambition for common projects, so as to overcome the obstacles, many of which arise out of special interests or the inertia of long habit. To forge such a will, we have to accept the debate on the benefits and costs of cooperation. To return to the example of trade liberalization, economic theory offers us convincing arguments on the gains to be made from trade. But it is not economic theory that will fill the polling booths or the workplace. The aim of political will is to define a general interest within which each special interest can find its place. It is not something given, but must be aroused. It is not just available, but must be built up. It is not a settled thing, but a process. It is not abstract, but is embodied in our leaders who have constantly to give signs of that political will to and for the people. And the people hold values, the sum of which makes up their identity. To bring a general will to birth is, I believe, to accept those values and those identities while at the same time proposing to place them on the table for debate – on condition, and this is an essential condition, that it is made clear at the outset that no one in the debate is striving for hegemony. In a sense, it is multilateral values that we have to define together.

Third lesson: this will has to rely on the lever of change as represented by common projects. Those projects take shape through negotiation, through dialogue, through contracts; and through the voluntary, accepted renunciation of a part of one's own ambition for the sake of the common interest which must be defined as a common good. That good is not precisely ours, that of an individual, that of our families, whether they be political, philosophical or religious, that of our fathers, of our cultures, of our native soil. We have already invented it together on occasion, sporadically or partially. And we must learn to take the time to exchange ideas, to persuade, to convince. The common objectives that must be the signposts of governance are the result of sharing.

Fourth lesson: political will and the negotiation of those common objectives require a complex institutional apparatus. Like the other human societies that preceded it, international society needs the medium of institutions, of forms, of points of reference and procedures that can lend it an indispensable legitimacy as national authorities wax and wane. Here once more we come up against the need to find the means of lessening mistrust, catalysts of confidence that can provide mediation. We also again confront the obstacle which, in the European experiment and, a fortiori, at the global level, is to be found in the distance that grows between the citizen and the systems of power once they begin to move away from him. That obstacle is linked precisely to the principle, a fundamental one in my view, of the proximity of power which I earlier called subsidiarity. The more remote the institutions, the more their legitimacy must be assured, which as I have said requires us to simplify the architecture of governance. And the existence of dispute settlement mechanisms, while an essential ingredient of the institutional arrangements of governance, does not in itself guarantee the acceptability of their decisions if that legitimacy is lacking.

Fifth and final lesson: it is easier to put these lessons I have just proposed into practice at the regional level which, then, constitutes a priority area for governance. Indeed, whether it is a matter of the will to elaborate common projects or to create confidence in these institutions, the regional approach offers a framework going beyond that of the nation state, without thereby

raising the considerable obstacles involved in global governance. Hence, probably, its recent success, which I have already touched on, whether in subregions of the African continent, in the African Union and even in NEPAD; on the American continent; and even on the Asian continent. We know that geography does not make history. But it does allow, without doubt more easily than at the world level, the identification of a shared living space. There the “de facto solidarities” so dear to the founding fathers of the European Union, are easier to identify and to build up. When they are not themselves continents or nearly so, like China or India, the states of a single regional group often share several cultural elements, economic characteristics, demographic traits and linguistic similarities. Hence they draw together in a way that more easily involves their policies and their sovereignty. These regional creations constitute material that can be used again on the global level: the resulting convergence of their members is a first basic assembly in which they can learn how to share in a common determination, how to test common choices, practise compromise and build confidence. Regional groupings permit the emergence of clarified and therefore more well-founded positions when the time comes to take part, at the world level, in the negotiation of global issues.

* * *

I shall conclude this presentation by trying to gather the five lessons I have proposed to you into one. I think it is one that Gunnar Myrdal and Jean Monnet, who was the chief inspiration of the founding fathers of the European Union, would have agreed on, if they had discussed this evening’s subject together – as perhaps they did. After all they were both men of action and reflection and both in the course of their life combined those two activities, which are those of master builders.

Monnet wanted economic integration to bring people together in Europe and lead then to political union.

Myrdal many times demonstrated the importance of institutions for the management of economies for the good of society.

If we had to imagine a point where their paths would converge, if we could put into their mouths a single reply to our question this evening, I think it would concern the intimate link between governance and the values on behalf of which it is exercised in the different human groupings to which we belong. No governance without an underpinning of shared values: peace, solidarity among peoples and among generations, the hope of a better world; in a word, humanism. I think Myrdal would have approved!