



**GLOBALIZATION**  
**and**  
*GOVERNANCE*



In the early years of the United Nations, the General Assembly's timely adjournment could be predicted with precision: its absolute limit was fixed by the year's last voyage of the *Queen Mary*. That world, clearly, was a very different place from today's.

Indeed, when the United Nations was founded two thirds of the current Members did not exist as sovereign states, their people still living under colonial rule. The planet hosted a total population of fewer than 2.5 billion, compared to 6 billion today. Trade barriers were high, trade flows minuscule and capital controls firmly in place. Most big companies operated within a single country and produced for their home market. The cost of transoceanic telephone calls was prohibitive for the average person and limited even business use to exceptional circumstances. The annual output of steel was a prized symbol of national economic prowess. The world's first computer had just been constructed; it filled a large room, bristled with 18,000 electron tubes and half a million solder joints, and had to be physically rewired for each new task. Ecology was a subject confined to the study of biology, and references to cyberspace would not have been found even in science fiction.

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We know how profoundly things have changed. World exports have increased ten-fold since 1950, even after adjusting for inflation, consistently growing faster than world GDP. Foreign investment has risen more rapidly; sales by multinational firms exceed world exports by a growing margin, and transactions among corporate affiliates are a rapidly expanding segment of world trade. Foreign exchange flows have soared to more than \$1.5 trillion daily, up from \$15 billion in 1973 when the regime of fixed exchange rates collapsed. A recent transnational telecommunications takeover created a firm whose market value exceeds the GDP of nearly half of all United Nations Members, though it ranks only as the world's fourth most valuable company. Today rushed General Assembly delegates can cross the Atlantic in less than four hours—and, if they so wish, conduct affairs of state on the Internet or telephone all the way.

This is the world of globalization—a new context for and a new connectivity among economic actors and activities throughout the world. Globalization has been made possible by the progressive dismantling of barriers to trade and capital mobility, together with fundamental technological advances and steadily declining costs of transportation, communication and computing. Its integrative logic seems inexorable, its momentum irresistible. The benefits of globalization are plain to see: faster economic growth, higher living standards, accelerated innovation and diffusion of technology and management skills, new economic opportunities for individuals and countries alike.

Why, then, has globalization begun to generate a backlash, of which the events surrounding last November's World Trade Organization meeting in Seattle were but the most recent and highly visible manifestation?

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Few people, groups or governments oppose globalization as such. They protest against its disparities. First, the benefits and opportunities of globalization remain highly concentrated among a relatively small number of countries and are spread unevenly within them. Second, in recent decades an imbalance has emerged between successful efforts to craft strong and well-enforced rules facilitating the expansion of global markets, while support for equally valid social objectives, be they labour standards, the environment, human rights or poverty reduction, has lagged behind.

More broadly, for many people globalization has come to mean greater vulnerability to unfamiliar and unpredictable forces that can bring on economic instability and social dislocation, sometimes at lightning speed. The Asian financial crisis of 1997-1998 was such a force—the fifth serious international monetary and financial crisis in just two decades. There is mounting anxiety that the integrity of cultures and the sovereignty of states may be at stake. Even in the most powerful countries, people wonder who is in charge, worry for their jobs and fear that their voices are drowned out in globalization's sweep.

Underlying these diverse expressions of concern is a single, powerful message: globalization must mean more than creating bigger markets. The economic sphere cannot be separated from the more complex fabric of social and political life, and sent shooting off on its own trajectory. To survive and thrive, a global economy must have a more solid foundation in shared values and institutional practices—it must advance broader, and more inclusive, social purposes.

### **The challenge in 1945**

This view was firmly embraced by the world's leaders who gathered in the waning days of the Second World War to rebuild a viable international order. They knew fully how an earlier era of economic globalization, in some respects as economically interdependent as ours, eroded steadily before collapsing completely under the shock of 1914. That global era rested on a political structure of imperialism, denying subject peoples and territories the right of self-rule.

Moreover, the major powers lacked adequate means for international political adjustment and peaceful change. To stabilize the European balance of power, for example, those powers resorted to carving up the African continent. In the economic sphere, the best they could do to achieve international financial stability was to hold levels of domestic economic activity hostage to shifts in their external balance of payments—contracting when in deficit, expanding when in surplus. This practice became untenable once the franchise was extended to ordinary people and governments began to respond gradually—and at first grudgingly—to people's needs for steady jobs and stable prices.

From the 20 years' crisis between the wars, however, the architects of the post-1945 world learned how utterly destructive it was for countries to turn their backs altogether on economic interdependence. Unrestrained economic nationalism and

“beggar-my-neighbour” policies took root almost everywhere in the 1930s, spilling over into political revanchism, totalitarianism and militarism in some countries, isolationism in others. The League of Nations was critically wounded from the start, and in the face of those forces it stood no chance.

Our predecessors, therefore, wisely chose a course of openness and cooperation. They established the United Nations, the Bretton Woods institutions, the General Agreement on Tariffs and Trade (later subsumed into the World Trade Organization) and a host of other organizations whose job it was to make the overall system work. Some supported decolonization, though the struggle for independence, which the United Nations was proud to promote, took too many years and cost too many lives. In the industrialized countries, domestic support for open markets was secured by constructing social safety nets and providing adjustment assistance to adversely affected groups and industries. We benefit from that legacy still.

Here, however, is the crux of our problem today: while the post-war multilateral system made it possible for the new globalization to emerge and flourish, globalization, in turn, has progressively rendered its designs antiquated. Simply put, our post-war institutions were built for an inter-*national* world, but we now live in a *global* world. Responding effectively to this shift is the core institutional challenge for world leaders today. The Millennium Summit can help show the way.

### The challenge today

How far we have moved from a strictly international world is evidenced by the changed nature of threats to peace and security faced by the world's people today. The provisions of the Charter presupposed that external aggression, an attack by one state against another, would constitute the most serious threat; but in recent decades far more people have been killed in civil wars, ethnic cleansing and acts of genocide, fuelled by weapons widely available in the global arms bazaar. Technologies of mass destruction circulate in a netherworld of illicit markets, and terrorism casts shadows on stable rule. We have not yet adapted our institutions to this new reality.

Much the same is true in the economic realm. Here, the post-war institutional arrangements were premised on a world made up of separate national economies, engaged in external transactions, conducted at arms length. Globalization contradicts each of these expectations. It is hardly surprising, therefore, that the trade regime is under such stress—it increasingly deals with traditionally “domestic” matters rather than border barriers. Nor are we surprised that calls for a new financial architecture are so insistent.

Globalization constrains the ability of industrialized countries to cushion the adverse domestic effects of further market opening. The developing countries had never enjoyed that privilege to begin with. As a result, the public in both now feels exposed and insecure.

Globalization has also created new vulnerabilities to old threats. Criminal networks take advantage of the most advanced technologies to traffic around the world in drugs,

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arms, precious metals and stones—even people. Indeed, these elements of “uncivil society” are constructing global conglomerates of illicit activities.

Diseases have shaped history for millennia, spread by traders, invaders and natural carriers. But the most recent upsurge in the global transmission of pathogens, above all HIV/AIDS, has hit with a velocity and scope made possible only by open borders and unprecedented mobility.

Entirely new dimensions of globalization have emerged as well. While transborder pollution has been on the international agenda for decades, once the cumulative effects of industrialization were understood to affect global climate change, the world entered—literally, became enveloped by—a wholly new context in which conventional institutional remedies fare poorly.

The revolution in global communications has created new expectations that humanitarian suffering will be alleviated and fundamental rights vindicated. Neither governments nor international institutions have yet sorted out either the full implications of these expectations or how to meet them.

The communications revolution is being felt in other ways, too. The Internet is the fastest growing instrument of communication in the history of civilization, and it may be the most rapidly disseminating tool of any kind ever. The convergence of information technology, the Internet and e-commerce may well become as transformative as the industrial revolution. They will continue to alter the world’s economic landscape and reconfigure organizational structures. They will change the way many people work and live. They already make it possible to leapfrog existing barriers to development, as entrepreneurs from Bangalore to Guadalajara and São Paulo will testify, and the range of such opportunities can be vastly expanded.

Perhaps most important, these technologies enable people to be connected directly who otherwise might remain divided by distance, culture and economic stratification, potentially creating, thereby, a better understanding of who we, the peoples, are. But none of these possibilities exists for those without access to the technology, either because the necessary infrastructure or capital is lacking, or because regulatory environments stand in the way.

And so the challenge is clear: if we are to capture the promises of globalization while managing its adverse effects, we must learn to govern better, and we must learn how better to govern together. The Millennium Summit, therefore, takes place at a compelling moment, not merely in symbolic but also in practical terms.

### **Governing better together**

What do we mean by “governance” when applied to the international realm? What are some of its desirable attributes if our aim is to successfully manage the transition from an international to a global world?

In the minds of some, the term still conjures up images of world government, of centralized bureaucratic behemoths trampling on the rights of people and states.

Nothing is less desirable. Weak states are one of the main impediments to effective governance today, at national and international levels alike. For the good of their own people and for the sake of our common aims, we must help to strengthen the capacity of those states to govern, not undermine them further. Moreover, the very notion of centralizing hierarchies is itself an anachronism in our fluid, highly dynamic and extensively networked world—an outmoded remnant of nineteenth century mindsets.

By the same token, states need to develop a deeper awareness of their dual role in our global world. In addition to the separate responsibilities each state bears towards its own society, states are, collectively, the custodians of our common life on this planet—a life the citizens of *all* countries share. Notwithstanding the institutional turmoil that is often associated with globalization, there exists no other entity that competes with or can substitute for the state. Successfully managing globalization, therefore, requires—first and foremost—that states act in a manner consistent with their dual role.

This implies, in turn, that decision-making structures through which governance is exercised internationally must reflect the broad realities of our times. The United Nations Security Council is an obvious case in point. Based on the distribution of power and alignments in 1945, the composition of the Council today does not fully represent either the character or the needs of our globalized world. The same holds in some major economic forums: all countries are consumers of globalization's effects; all must have a greater say in the process itself.

The unique role of the United Nations in the new global era derives from our universal membership and scope, and from the shared values embodied in our Charter. It is our job to ensure that globalization provides benefits, not just for some, but for all; that peace and security hold, not only for a few, but for the many; that opportunities exist, not merely for the privileged, but for every human being everywhere. More than ever, the United Nations is needed to broker differences among states in power, culture, size and interest, serving as the place where the cause of common humanity is articulated and advanced. More than ever, a robust international legal order, together with the principles and practices of multilateralism, is needed to define the ground rules of an emerging global civilization within which there will be room for the world's rich diversity to express itself fully.

Better governance means greater participation, coupled with accountability. Therefore, the international public domain—including the United Nations—must be opened up further to the participation of the many actors whose contributions are essential to managing the path of globalization. Depending on the issues at hand, this may include civil society organizations, the private sector, parliamentarians, local authorities, scientific associations, educational institutions and many others.

Global companies occupy a critical place in this new constellation. They, more than anyone, have created the single economic space in which we live; their decisions have implications for the economic prospects of people and even nations around the world. Their rights to operate globally have been greatly expanded by international agree-

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ments and national policies, but those rights must be accompanied by greater responsibilities—by the concept and practice of global corporate citizenship. The marks of good citizenship may vary depending upon circumstances, but they will exhibit one common feature: the willingness by firms, wherever possible and appropriate, to pursue “good practices” as defined by the broader community, rather than taking advantage of the weaker regulatory systems or unequal bargaining positions of host countries.

The more integrated global context also demands a new degree of policy coherence, while important gaps must be filled. The international financial architecture needs strengthening, as does the multilateral trade regime. Greater consistency must be achieved among macroeconomic, trade, aid, financial and environmental policies, so that all support our common aim of expanding the benefits of globalization. Conflict prevention, post-conflict peace-building, humanitarian assistance and development policies need to become more effectively integrated. In short, it is exceedingly difficult to successfully navigate the transition to a more global world with incomplete and incompatible policy fragments.

Formal institutional arrangements may often lack the scope, speed and informational capacity to keep up with the rapidly changing global agenda. Mobilizing the skills and other resources of diverse global actors, therefore, may increasingly involve forming loose and temporary global policy networks that cut across national, institutional and disciplinary lines. The United Nations is well situated to nurture such informal “coalitions for change” across our various areas of responsibility. Many of the networks can be virtual, overcoming, thereby, the usual constraints imposed by distance and time. The essential role that formal governance structures must continue to play is normative: defining objectives, setting standards and monitoring compliance.

For the United Nations, success in meeting the challenges of globalization ultimately comes down to meeting the needs of peoples. It is in their name that the Charter was written; realizing their aspirations remains our vision for the twenty-first century.

### **The peoples' concerns**

But who are we, the peoples? And what are our common concerns?

Let us imagine, for a moment, that the world really is a “global village”—taking seriously the metaphor that is often invoked to depict global interdependence. Say this village has 1,000 individuals, with all the characteristics of today's human race distributed in exactly the same proportions. What would it look like? What would we see as its main challenges?

Some 150 of the inhabitants live in an affluent area of the village, about 780 in poorer districts. Another 70 or so live in a neighbourhood that is in transition. The average income per person is \$6,000 a year, and there are more middle income families than in the past. But just 200 people dispose of 86 per cent of all the wealth, while nearly half of the villagers are eking out an existence on less than \$2 per day.

Men outnumber women by a small margin, but women make up a majority of those who live in poverty. Adult literacy has been increasing. Still, some 220 villagers—two thirds of them women—are illiterate. Of the 390 inhabitants under 20 years of age, three fourths live in the poorer districts, and many are looking desperately for jobs that do not exist. Fewer than 60 people own a computer and only 24 have access to the Internet. More than half have never made or received a telephone call.

Life expectancy in the affluent district is nearly 78 years, in the poorer areas 64 years—and in the very poorest neighbourhoods a mere 52 years. Each marks an improvement over previous generations, but why do the poorest lag so far behind? Because in their neighbourhoods there is a far higher incidence of infectious diseases and malnutrition, combined with an acute lack of access to safe water, sanitation, health care, adequate housing, education and work.

There is no predictable way to keep the peace in this village. Some districts are relatively safe while others are wracked by organized violence. The village has suffered a growing number of weather-related natural disasters in recent years, including unexpected and severe storms, as well as sudden swings from floods to droughts, while the average temperature is perceptibly warmer. More and more evidence suggests that there is a connection between these two trends, and that warming is related to the kind of fuel, and the quantities of it, that the people and businesses are using. Carbon emissions, the major cause of warming, have quadrupled in the last 50 years. The village's water table is falling precipitously, and the livelihood of one sixth of the inhabitants is threatened by soil degradation in the surrounding countryside.

Who among us would not wonder how long a village in this state can survive without taking steps to ensure that all its inhabitants can live free from hunger and safe from violence, drinking clean water, breathing clean air, and knowing that their children will have real chances in life?

That is the question we have to face in our real world of 6 billion inhabitants. Indeed, questions like it were raised by the civil society participants at hearings held by the United Nations regional commissions in preparation for the Millennium Assembly—in Addis Ababa, Beirut, Geneva, Tokyo and Santiago.

Similar sentiments were expressed last autumn in the largest survey of public opinion ever conducted—of 57,000 adults in 60 countries, spread across all six continents (see box 1).

Strikingly, the centrality of human rights to peoples' expectations about the future role of the United Nations was stressed both at the hearings and in the survey. The current level of performance, especially of governments, was judged to be unsatisfactory.

The respondents in the Millennium Survey expressed equally strong views about the environment. Fully two thirds of them, worldwide, said their governments had not done enough to protect the environment. In only 5 countries out of 60 was the majority satisfied with the government's efforts in this respect; people in developing countries were among the most critical.

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**Box 1**  
**Voices of the people:**  
**the world's largest**  
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**survey**

The hearings and the survey alike gave the United Nations a mixed overall assessment. In the sampling of public opinion, governments received even lower ratings than the United Nations. In most countries a majority said their elections were free and fair, but as many as two thirds of all respondents felt that their country, nevertheless, was not governed by the will of the people. Even in the world's oldest democracies many citizens expressed deep dissatisfaction.

In 1999, Gallup International sponsored and conducted a Millennium Survey of 57,000 adults in 60 countries.

**What matters most in life**

- People everywhere valued good health and a happy family life more highly than anything else. Where economic performance was poor, they also stressed jobs.
- Where there was conflict, people expressed a strong desire to live without it. Where corruption was endemic, people condemned it.

**Human rights**

- Respondents showed widespread dissatisfaction with the level of respect for human rights.
- In one region fewer than one in 10 citizens believed that human rights were being fully respected, while one third believed they were not observed at all.
- Discrimination by race and gender were commonly expressed concerns.

**Environment**

- Two thirds of all the respondents said their government had done too little to redress environmental problems in their country.
- Respondents in the developing countries were among the most critical of their government's actions in this respect.

**The United Nations**

- The survey showed that most people around the globe consider the protection of human rights to be the most important task for the United Nations. The younger the respondents, the greater the importance assigned to this goal.
- United Nations peacekeeping and the provision of humanitarian assistance were also stressed.
- Globally, less than half of those interviewed judged the performance of the United Nations to be satisfactory, although a majority of the young were favourably inclined.

**Democracy**

- In most countries the majority said their elections were free and fair.
- Despite this, two thirds of all respondents considered that their country was not governed by the will of the people. This opinion held even in some of the oldest democracies in the world.

Let there be no mistake. We have many success stories to tell and positive trends to report—and I shall do both throughout this report. The United Nations global conferences in the 1990s, for example, laid a solid foundation of goals and action plans—in the areas of environment and development, human rights, women, children, social development, population, human settlements and food security. At the national level, economic restructuring and political reforms are more widespread today than ever.

The world's people are nevertheless telling us that our past achievements are not enough, given the scale of the challenges we face. We must do more, and we must do it better.

The challenges I highlight below are not exhaustive. I have focused on strategic priority areas where, in my view, we can and must make a real difference to help people lead better lives. The challenges are clustered into three broad categories.

Two are founding aims of the United Nations whose achievement eludes us still: freedom from want, and freedom from fear. No one dreamed, when the Charter was written, that the third—leaving to successor generations an environmentally sustainable future—would emerge as one of the most daunting challenges of all.

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