“Multilalteralism and the Limits of Global Governance”

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Abstract

Global governance (GG) is an over-used and under-specified concept. The search for meaningful use is a reflection of the growing despair over the mismatch between the over-development of the global economy and the under-development of a comparable global polity. For the global policy community, driven largely by economic theory, the delivery of public goods via collective action problem solving leads to what I call GG Type I. By contrast, scholarly interest, driven by normative (often cosmopolitan) political theory and focussing on issues of institutional accountability, greater citizen representation, justice and the search for an as yet to be defined global agora leads to a rather loose GG Type II. But, using the IMF and the GATT-WTO as case studies, the paper argues that without the enhancement of GG Type II, the prospects of the continuance of GG Type I—via the economic multilateralism of the 20th century Bretton Woods Institutions (IMF and WB), the WTO—will become unsustainable. It will do so for at least three reasons.

(1) The nature of what constitute 'public goods' in the 21st century global economy is strongly contested.
(2) Both the ability and political will of the US to play the role
(3) of self-binding hegemon, under-writing multilateralism, is problematic to say the least.
(4) Resistance amongst the world's 'rule takers' to a hegemonic global order is growing.

It is not necessary to accept 'Clash of Civilisation' style arguments to recognise that this is also, in part at least, an ideological contest with security implications of the kind that have dominated the international agenda in the early years of the 21st century. But, perhaps more importantly, it is also a practical-cum-policy issue over the contested nature of what actually constitute 'global public goods' in the 21st century. In this context it is appropriate to ask questions about alternative forms of global governance espoused by advocates of G-20 style activities. The paper concludes with an introductory comparative analysis of this evolving economic initiative and the existing economic institutions.

Key words: multilateralism, global governance, US foreign policy

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Introduction

The relationship between ideas and institutions, traditionally a concern more of scholars than practitioners, has attracted increasing concern in policy circles over recent years. Nowhere is this more so the case than in the study of the political economy of developing countries generally (see Stone and Maxwell, 2004) and in the relationship between the 'north' and 'south' in the management of the international trade and finance systems in particular. The growing interest in the G-20, the focus of this conference (and not to be confused with what we might call the G-21 or G-20+ of developing countries) attests to this assertion. [2] It is apparent, however, that making the link between the impact of ideas and institutions on policy is a lot more problematic than was originally posited in some earlier literature, for example *pace* Hass *et al*, (1992) on the role of epistemic communities. Part of the difficulty is to do with our understanding of the role of raw ideas in the (early stages of the) policy process on the one hand and exactly what we mean by institutions on the other. This paper side steps the difficulty of the 'ideas question' by focussing on what we might more practically call 'usable social knowledge' (see Toye, 2004). More specifically still, the paper contains itself to but one example of usable social knowledge, namely what we know about 'multilateralism' as a 'principled institutional form of behaviour' and how it relates to contemporary global governance.

The late 20th and early 21st centuries saw a dramatic growth of interest in global governance.[3] Indeed, the debate is almost blown out of control. In The global policy community, driven largely by economic theory, has focussed in a quite tightly defined fashion on the identification of, and delivery of, public goods via processes of collective action problem solving.[4] By contrast, scholarly interest, driven largely by normative (international) political

[2] Member countries include: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom, the United States and the European Union. In addition, the Managing Director of the IMF and the President of the World Bank, as well as the Chairpersons of the International Monetary and Financial Committee and Development Committee of the IMF and World Bank, participate fully in the discussions. (see G20, 2001). This group is not to be confused with that group variously called the G21 or G20+ developing countries that developed at the Cancun WTO 2003 ministerial meeting.

[3] For a flavour of a now massive, and diverse, body of literature see *inter alia*, Hewson and Sinclair, 1999; Cable, 1999; Held and McGrew, 2002; Laroche, 2003, Ougaard and Higgott, 2002; Akhsu and Camilleri, 2002; Sinclair, 2004 and the quarterly journal *Global Governance*.

[4] See notably Kaul *et al*, 1999 and 2003 and Nayyar, 2002.

theory, has focussed on issues of accountability, citizen representation and justice.[5] Theory and practice, when it intersects, does so mostly in a focus on the role and behaviour of international institutions.

The identification and definition of what constitutes an institution is complex, illusive and contested. Scholars have traditionally focussed on the status of multilateralism, following John Ruggie (1993), as an 'institutional form' and the prevailing assumption, across a wide political spectrum, is that, contemporary multilateralism is in something of a crisis. Crisis is an overly hyperbolic term, but it is not unfair to say that a fundamental re-think about the nature of the multilateral endeavour is in train. It is in this context that we can profit from comparing the aspirations for an evolving G-20 as exercise in policy innovation with the traditional instruments of international economic governance, the Bretton Woods institutions and the GATT/WTO.

Comparison will allow us to identify the strengths and weaknesses of what some have called the 'old multilateralism' (O'Brien et al, 1997) with what others, associated with the G-20 initiative, want to call a 'new multilateralism'. The G-20's current status as a discursive organisation is to be contrasted with the more strongly decisional (although also discursive) status of the IMF or the WTO. This is an appropriate form of comparison since the G7 Meeting of September1999 that welcomed the creation of the G-20 was quite explicit about the ' … commitment to establish an informal mechanism for dialogue among systemically important countries, *within* (my emphasis) the framework of the Bretton Woods institutional system.' The comparison also allows us ask how we might, indeed if we can, operationalise the discursive and cosmopolitan turns in the theory and practice of global governance.

The recent debate over the future of multilateralism has been conducted neither rationally nor in good temper. As the paper will show, for some highly politicised analysts—on what we might call both the 'southern radical left' and the 'northern nationalist right'—this crisis might be no bad thing. But for others—of a more reformist temperament—it is a bad thing indeed. Unsurprisingly the debate has polarised around competing readings of the foreign policy of the Administration of George W. Bush. From a policy perspective this has often been less than edifying. From a scholarly perspective, it would appear that we have forgotten

[5] By way of illustration, and contrast, see Held, 1995, Keohane, 2004, Pogge, 1999, Brown, 2002.

much of what we know about multilateralism as an institutional form in international relations.

Moving beyond the populist debate, this paper re-grounds the contemporary discussion of multilateralism in both the historical and theoretical contexts from which is it has been extracted in the opening years of the 21^{st} century. This reprise shows that current problems of multilateralism are not simply the outcome of the irresponsible behaviour of a 'rogue hegemon' tearing up the rules (see Prestowitz, 2003). Of course, the role of contemporary US foreign policy is important, but a range of wider structural changes must also be factored into the analysis of the contemporary era. These changes have made it inevitable that decision-making within multilateral institutions—that formed an important part of the architecture of global governance in the second half of the 20^{th} century—would come under increasing strain and demands for reform. It is the *interplay overtime* of these structural changes, with the policies of the US as the dominant global player, which is the key to understanding the limits to multilateralism in the contemporary global governance. It is this interplay, and its location in historical and theoretical context, which is the focus of this paper. Change overtime in institutional economic governance (at the IMF and the WTO) is the all-important context in which to understand the current interest in the G-20.

To illustrate its discussion of the theory and practice of multilateralism the paper uses two international economic institutions, the IMF and particularly the GATT/WTO, as case studies. It eschews discussion of the principal politico-security institution, the UN. It does so precisely because the UN is the centrepiece of multilateral architecture. The provision of collective security, the avowed aim of the UN, has always been deemed the principal public good to be delivered by multilateralism. The security domain was also, by extension and as its recent history affirms, going to be the most difficult area in which to deliver successful multilateral policy-making. Collective security is multilateralism's weakest link (Krause, 2004: 44). In theory, the economic domain—the domain of 'low' rather than 'high' politics—should be an easier arena in which to consolidate multilateral decision-making; that is, it should be multilateralism's strongest link. As economic theory tells us collective action problem solving in the pursuit of economic interest should be a rational course of action. Thus, if the efficiency and utility of multilateralism is increasingly questioned in the economic domain it makes a better case study for analysis of the current overall 'crisis of multilateralism' than the security domain, where we would expect the multilateral enterprise to be more difficult and more frequently questioned. The paper poses five questions.

(i) What do we understand by the term 'governance' in the international economic context and what is the role of multilateralism within it?

(ii) How do we judge the current health of the long-standing institutions of multilateral economic governance?

(iii) What are the implications for multilateralism, as an institutional form, of the linkage between global governance as theoretical concept and the reform of the international economic institutions as a practical project?

(iv) What is the significance of the role and behaviour of the dominant actor—the USA—to the institutional reform process in particular and the future of multilateralism in general?[6]

(v) How serious is the G-20 as a potential source of reform in the international economic system and to what degree might it supplement or supplant the traditional institutions of global economic governance?

The paper is underpinned by two assumptions. The first is that multilateral institutions face a range of problems of both a systemic and structural nature under conditions of 'contested' globalisation' (Higgott, 2000). Policy positions taken by the US towards the multilateral endeavour in recent years are one, but not the only, source of strain. We are in era in which the United States possesses an unprecedented material preponderance (see Ikenberry, 2002 and Jervis, 2003) and in which its foreign policy exhibits a limited commitment to the international institutions. This is not to suggest that preponderance is without limits or that unilateralism is without costs. Indeed, following Ikenberry (2004) I argue that the Bush Administration has done damage to US foreign policy by undermining unilateralism.

[6] I largely eschew the use of the term hegemon. I do this not because it is an unimportant concept in the analytical lexicon of US foreign policy (see Beeson and Higgott, forthcoming) but because of a desire to inflict 'concept' overload on this paper.

Equally, it is not to suggest that the US is the only major state capable of playing fast and loose with the international institutions when it suits.[7] But no understanding of the prospects for enhanced multilateralism is complete without acknowledging this first assumption.

The second assumption is that we are witnessing a growing contest in the domain of international economic governance between 'winners' and 'losers' under conditions of globalisation. The trans-nationalisation of market forces, although it increases aggregate global economic wealth, exacerbates inequality (see Wade, 2004) or, at the very least, perceptions of inequality, which is politically more potent. In so doing, it not only reduces the capacity of international organisations to generate acceptable institutional processes that might mitigate growing inequality, it also spawns southern resentment. The institutions of international economic governance reflect the interests of powerful, not poorer, states. Those global norms and rules that underwrote the institutional architecture of the last decades of 20th century—and attempts to reform these norms and rules in the domains of trade, investment, labour and environmental standards, capacity building and 'governance'—are still driven by 'northern agendas'. Developing states remain 'rule takers' (Hurrell and Woods, 1999).

A process of political contest and transition is under way. It is too early to know the outcome of this process, but it may be that the rules on offer will lack legitimacy in the poorer states or many states may simply lack the necessary governmental effectiveness to enforce them, even should they wish so to do. Either way, these processes have negative implications for consensus-based global governance norms and institutional structures. The 'top down' global governance agenda of the late 1990s and early 21st century is still driven by an understanding of governance as *effectiveness and efficiency*, not governance as greater representation, accountability and justice. Rather than the current agenda creating an array of global public goods of a reformist nature, it is generating new forms of resistance. The absence of an ethical and practical commitment to stem the globalisation of inequality will continue to encourage the kind of combative politics that stalemated North-South global economic relations in the 1970s. No understanding of the prospects for enhanced multilateralism, inherent in G-20 style propositions, is complete without an appreciation of this second assumption.

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[7] See the analysis of German, French and British approaches to multilateralism in Krause (2004)

The paper is in three sections. Section one provides a perspective on global governance and multilateralism as analytical concepts, or usable social knowledge. Section two, looks at the emergence of multilateral economic governance in the post World War Two era, especially the changing missions and practices of the IMF and the WTO. It makes two major points. Firstly, US *constrained* hegemonic leadership in the development of these institutions was a key factor in them becoming part of the wider post-war embedded liberal economic and political order. Secondly, the evolving nature of that order, especially following the end of the Cold War and the consolidation of neo-liberal economic globalisation, was the key structural change underpinning both the changing nature of the missions of the international economic institutions and the attitudes and policies of the USA towards them.

Section three examines the 'democratic dilemma' inherent in efforts to reform multilateral economic governance. Central to this dilemma, and the prospects for institutional reform, is argued to be the growing resistance of the US to multilateralism as an institutional form, as opposed to the practice of multilateral institutions simply as agents of collective action problem solving in the provision of public goods *per se* (Ruggie, 1993: 8). For analytical purposes, government policy towards an institution should be distinguished from a general disposition—for or against—multilateralism as an institutional form. The paper concludes with a comparison of the old multilateralism (embodied in the longstanding institutions) and the 'new multilateralism', espoused by advocates of G-20 style economic diplomacy.

1. Global Governance and Multilateralism

Global governance is an increasingly over-used and invariably under-specified concept. When used in popular discourse it is not an easily acquired concept. Educated lay people invariably ask how can we have 'global governance when we do not have a global state?' It is not an unfair question. So how do we account for its increasingly regular appearance in both the scholarly and policy literature? I use an unexceptional political science definition of governance, as a process of interaction between different societal and political actors and the growing interdependence between them as the interaction between societies and institutions become ever more complex, interactive and diverse (Kooiman, 2003).

But, my setting is extra-territorial. The analysis of global governance requires a rejection of the nationalist or territorially bounded methodologies still found in much public policy analysis. This does not, however, mean that *global* governance is simply a metaphor for those *international* activities that interest scholars of international relations (traditionally understood) and that for too long were simply juxtaposed against the *domesticist*, interests of the scholar of political science. Global governance is rather a hosting metaphor reflecting a growing despair (with no normative implications attached) over the mismatch between the over-development of a global economy and what we might call the 'under-development' of a global polity. Globalisation'—however defined—has changed the relationship between political science and international relations, and between political science and international relations (collectively) and economics.[8]

For the purposes of this paper I use a basic economic, or market definition of globalisation as the tendency towards greater international economic integration beyond the territorial state via the processes of enhanced trade liberalisation and financial deregulation. This is also the essence of the neo-liberal understanding of globalisation.[9] As a consequence of this definition of globalisation, global *governance* is thus seen as those arrangements—from weak to strong in influence—that actors attempt to put in place to advance, retard or regulate market globalisation. This is the core of the relationship between the market and the theory and practice of governance. It reflects a tension over the continued pace of economic liberalisation. It is a political struggle about the distribution of global wealth, not merely a technical economic debate about how best to produce that wealth. The struggle has become increasingly vocalised since the anti-globalisation backlash of the closing years of the 20th century. In the 21st century the relationship between the state and the market has an important new dimension as part of the wider global security game that has taken on a new and dramatic face since 9/11 (see Higgott, 2004a).

There are at least five reasons why global governance has become a fashionable concept. Firstly, there has long been a growing dissatisfaction with traditional models of public policy that fail to capture the shift in the relationship between public and private sectors in general (see Stoker, 1999, Haufleur et al, 1999) and state *authority* and market *power* at the global

[8] On the changes in these relationships see Higgott, 1999 and 2002.

[9] I am fully aware that this is a narrow understanding of globalisation I work with in this paper. I am not unsympathetic to scholarship that identifies more complex, multifaceted and contested definitional approaches to globalisation, but the focus of this paper is on the international economic institutions as instruments of global governance, see *inter alia*, Scholte, 2000; Held *et al*, 1999 and Watson, 2002.

level in particular (Strange, 1996.) Secondly, there has been a growing recognition of the non-national manageability of policy problems and a growing interest in the importance of the portability of ideas in the policy process, especially over issues of cross border policy transfer (Stone, 2004). The methodological nationalism that underwrote much public policy analysis and practice in the 20th century is rapidly becoming redundant.

Thirdly, sovereignty is increasingly seen as a relational and relative question of responsibility rather than one of absolute principled legal control over specifically determined space (Krasner, 1999). In this context, major changes in conceptions of, and the role of, international law are also in train (see Slaughter, 2004). Fourthly, the increasing role of multi-level governance structures in key policy areas, enhanced by the role and functions of both issue-specific and regional specialised agencies has grown dramatically. Fifthly, 'governance' has become a hosting metaphor identifying non-traditional actors (non-state actors such as NGOs and networks) that participate as mobilising agents broadening and deepening policy understanding beyond the traditional, exclusivist, international activities of states and *their* agents.

This growing interest in global governance has led to the need for some kind of definitional clarity. There is a vast debate in train in what is a conceptual minefield. For the purposes of this paper, I use a twofold definition of global governance as:

(i) The enhancement of effectiveness and efficiency in the delivery of global public goods via collective action problem solving (see Kaul *et al*, 1999) or what I have labelled global governance 'Type I'.

(ii) The demand for greater transparency, accountability and representation, what we would more generally call enhanced democracy, or what I have labelled global governance 'Type II".

The role of international institutions as instruments of transaction cost reduction and coordination for the mitigation of the risks attendant on an open and deregulated global economy are central elements in a Type I understanding of global governance (see Keohane, 1989). And Type I governance—enhanced effective and efficient policy-making, driven by the international institutions—was very much the prevailing view of global governance within the institutions in the closing stages of the 20th century. But as the role of the nation state as a vehicle for democratic engagement becomes seemingly more problematic, the clamour for greater democratic engagement at the global level—Type II governance—is becoming stronger.

Multilateralism is not a synonym for global governance. Multilateralism, is the management of trans-national problems with three or more parties but operating with a series of acceptable ' … generalized principles of conduct' (Ruggie, 1993: 11). That is, the principles of behaviour should take precedence over actor interests. The key principles identified by Ruggie—indivisibility, non-discrimination and diffuse reciprocity—should overtime lead to collective trust within an institution, amongst players of different strengths and sizes. A key element in the development of this sense of trust would be a feeling amongst the smaller players that the major actors, especially an erstwhile hegemon, would be willing to accept the principle of 'self-binding' (Martin, 2003)

Discussion of the US role in the evolution of the IMF and the GATT in the next section provides mixed evidence of the application of these principles. Non-discrimination and diffuse reciprocity come through strongly in the post-1945 story of the evolution of both institutions. Hegemonic self-binding by the US comes through stronger in the earlier than the later years and stronger in the GATT than in the IMF. Section three further suggests that in order to understand the condition of 21st century multilateralism as an institutional form, we still need to focus on the role of the US in these institutions. It will be argued that while multilateralism does not play well with the world's dominant actor, the 'crisis' of multilateralism is not simply what we might call 'regime induced'.

2. The Evolution of Multilateral Economic Governance

In the aftermath of World War Two, the USA used its unchallenged material preponderance and ideational disposition to set in place a basic liberal international infrastructure of global economic management (Latham, 1997). Thus the Bretton Woods System and the GATT were multilateral in both tone and practice. For sure, the USA saw these institutions as beneficial to its national interest, but it defined its interests broadly and in a sufficiently inclusive manner that other countries were keen to sign on to a vision that stressed a rule governed system. In recent years the incidence of the US failing to ratify, demand exemptions from, or opt out of existing, multilateral commitments supported by many other members of the global policy community, has increased dramatically (Prestowitz, 2003: 1-17). Policy towards the institutions has hardened since the backlash against neo-liberal globalisation began in the second half of the 1990s. The Bush Administration may have accelerated this process, but the turning point took place well before it came to office.

Globalisation is no longer seen simply through rose tinted neo-liberal economic lenses, but also through the less rosy coloured lenses of the national security agenda of the US (US Government, 2002). Economic policy in the 21st century has also become much more *explicitly* linked to security policy. This trend can be seen across the spectrum of US policy, especially since 9/11 towards the IMF, the World Bank, the Doha MTN round and in bilateral economic relations, *pace* its growing interest in preferential trading arrangements (see Higgott, 2004a and b). Thus it makes no sense to see the international financial and trade institutions just as economic institutions. The development of the economic institutions in the post World War Two era, although kept separate in their construction, was motivated as much by grand strategy—certainly as Gaddis (1972: 31) notes, by a history of the past—as by economic theory.

The scope of US institutional ambition in the institutional architecture that it did so much to create should not be underestimated. My preferred way of describing US policy during the Cold War era is as primarily ‘institutionalist’ rather than ‘multilateralist’. While it took the lead in building multilateral economic institutions, including alliance structures such as NATO, the injunction to behave multilaterally always applied more to the junior partners in these organisations than to the hegemon. Indeed, a hallmark of US hegemony in this period was the development of institutions binding on others, but in which the hegemon was only ever ‘self-binding’. Thus Bretton Woods reflected an ‘institutional bargain’, underwritten by a combination of US power and resources, enlightened self-interest and liberal values, albeit it leavened by a dose of technocratic Keynesianism (Ikenberry, 1993 and 2003) that allowed the creation of a set institutions acceptable to both the US and its Cold War allies. As section three will suggest this bargain has come undone in the post-Cold War era.

The IMF: Given differences in their institutional structure and decision-making process—especially the system of weighted voting which gives the US an effective veto—US control in the IMF (and the World Bank) has always been more assured than at the GATT and, especially of late, the WTO. But there are a series of more general problems facing the US, and indeed other major powers, relating to the governance of the international financial institutions that have come about as a result of structural change overtime in the global economic order. These problems arise from the deregulatory trends of the late 20th century globalisation process. Increased volatility in financial markets, and a cycle of financial crises throughout the 1990s, has led to the view that the system was (is) in need of reform. But this realisation brings with it the vexatious question of how reform might be secured.

Substantive changes in the activities of the financial institutions overtime have changed their status as multilateral actors. The turning point for the IMF was the abandonment of the system of fixed exchange rates in 1971. As a consequence the US began to use instead the G7 as a vehicle for stabilising the global economy. Not only did this marginalize the IMF, it signalled to both members and officers ' … that the organisation's status and role in the world economy would depend on the uses to which the United States would put it' (Woods, 2003: 94). Thus, from that time, the IMF sought a new mission. At the behest of the USA, its key role of managing exchange rate stability in the developed world was superseded. Instead it became the arbiter of developing country macroeconomic rectitude.

This new role was one that the Fund—given its bureaucratic capability and neo-classical technical economic expertise—felt it was institutionally well equipped to conduct. This change was to have major implications for the understanding of global governance that emerged from that time forth. Specifically, it confirmed the understanding of global governance 'Type I'—the provision of effective and efficient public policy under written by a neo-classical orthodoxy. In privileging this role, however, it laid the basis for a sense of unease amongst those on the receiving end of the Fund's new policy remit who felt that global governance 'Type II'—enhanced accountability and representation—was being denied them. In these changes to its mission, underwritten by US both will and power, are to be found the seeds of contemporary discontent with the IMF. As Elliott and Hufbauer (2002: 382) put it:

> 'The power disparity between creditor and debtor countries conveyed by the funds weighted voting system, together with power disparity between the IMF and "clients" facing a financial crisis, laid the groundwork for one of the backlashes now striking the multilateral world economy'.

This backlash exists not only amongst that group of actors, generically described as 'the anti-globalisation movement', but also amongst the ruling elites of many developing countries, for whom the 'clientalist' relationship with the Fund has proved costly in both political and (often personal) economic terms.

Mission creep took a further step forward during the financial crisis years of the 1980s and 1990s. The new conditionality regimes of the Fund (and the Bank)—with their emphasis on fiscal and monetary austerity and flexible exchange rates, known as the Washington Consensus (Williamson, 1990)—represented intrusions of a different magnitude to those of the earlier Bretton Woods mandate. Moreover, with the end of the Cold War, and the recognition of its preponderance, the US payed even less attention to its major partners in the IMF as it pushed borrowers to accept stronger structural reform packages in return for funds (Elliott and Hufbauer, 2002: 383.)

This US emphasis on 'structural reform' was much more an Anglo-American view of how to manage the global economy than either its European social democratic partners or its major Asian (especially, but not only, Japan) partners, with their developmental-state approach, were comfortable. The Anglo-American model of economic organisation was embedded in the conditions of the IMF loans. Driven by a 'Wall Street-Treasury' agenda (see Wade and Veneroso, 1998). For some, this was a moment to be exploited; it presented an opportunity to put paid to the Asian 'developmental state' model and establish the hegemony of the Anglo-American model (see Zuckerman, 1998)

But it was not only in Asia that the Fund worked closely with the US Treasury. Similar policies were followed with Brazil and Russia. The merits or otherwise of this strategy (see Stiglitz, 2002) is not salient for this paper. Rather we should note the over-riding influence of the US in this process, the degree to which US strategy departed from that pursued during the Cold War—when it was prepared to tolerate different domestic economic policy regimes within the wider embedded liberal compromise (Ruggie, 1982)—and the bitterness that the strategy generated in those countries on the receiving end of policy (see Higgott and Phillips, 2000).

A US unilateral approach in the IMF reached a peak after the 1997-8 financial crises. Its annual allocation to the Fund was made contingent on the creation of the International

Financial Institution Advisory Commission to evaluate the structures and activities of the IMF and the World Bank. This Commission studiously declined to take evidence from, or hold consultations with, countries involved in, or affected by, the activities of the IMF. The initial assumptions of the Commission, and indeed its conclusions too, were that the US needed to be 'tough' in the IMF in order to prevent other countries free riding (see Woods 2001a: 75-6).

This pattern of behaviour, begun under the Clinton Administration was continued under the Bush Administration. Critical of the IFIs from the outset, it quickly learned to use the IMF to secure its own positions, as in the bail out of Argentina (August 2001) (see Woods, 2003: 94). These policies provoked backlash. Not only of the kind described above, but also from other donors in the IMF. Even disregarding the views of those in the anti-globalisation movement critical of the US and the Fund, the role of the US in the multilateral governance setting of the international financial system goes to the core of the legitimacy of the organisation (see Woods and Narliker, 2001.)

If the future governance of the Fund turns on the role of the US, it begs the question of what kind of governance that will be. The view of the Bush unilateralists is not one of withdrawal, but it is a hard position nevertheless. This view is captured in the evocative phrase 'Our Fund or No Fund'. Should the US find too much opposition to its values, interests and priorities, then it is not impossible that a momentum to withhold funding could gain ground in the American public and private sector policy community (Elliott and Hufbauer, 2002: 394-95). Moreover, such opposition is not impossible. There are strong views amongst all of the Fund's borrowers and indeed the other major donors, especially the Europeans and Japanese, that they should have a greater say in IMF decision-making. Discussions of the desirability and feasibility of alternative (regional) institutional sources of multilateral crisis lending—such as an Asian lending facility, and over which the US would have less influence—are in train. It is in this context that the more general interest in the evolution of a G-20 becomes increasingly salient.

From GATT to WTO: In contrast to the evolution of the IMF with the context of the Bretton Woods System, GATT developed as a default body following the US Congress refusal to ratify the International Trade Organisation. It survived scrutiny because it required little or no adjustment in prevailing US trade policy (Milner, 1997: 137). US principle and interest dovetailed to ensure support for the development of the post World War Two trade system. Progressively lengthening rounds of Multilateral Trade Negotiations (MTNs) were historically successful in lowering tariffs. But, as with the Fund, then so too with GATT, frustration set in overtime on the part of American, and indeed other, policy makers. Changes in the structure of international trade—the development of services, the decreasing importance of manufactured goods and agriculture (economically if not politically)—saw demands for an extension of the mission of the international trade regime.

By the early 1980s a justifiable view emerged in the US that the reduction in tariffs over the life of GATT had opened up the US economy more than that of many of its trading partners (Low, 1993: 70). Restricted sectoral coverage, and the wide use of NTBs, disadvantaged the US. New sources of income, in rapidly expanding sectors such as services and intellectual property, were under-exploited. It became apparent to members of the US trade policy community (both public and private) that existing GATT rules and procedures would not redress this imbalance and that only unilateral action would be likely to offset it (Elliott and Hufbauer, 2002: 400.)

US policy was two-pronged. First, in 1985 it advanced a policy of 'aggressive unilateralism' intended to prise open markets in the face of a mounting trade deficit with major partners (notably Japan). Articles 301 allowed unilateral retaliation against 'unfair' trade practices. This usually consisted of a demand for concessions, accompanied by a threat, usually of restricting access to US markets (see Bhagwati and Patrick, 1990). While rhetoric often exceeded activity, the existence of at least a correlation between the strategy and an adjustment in the incentive structures of US trading partners seems to be in little doubt, although a debate continues as to whether the use of aggressive unilateral strategies assisted the renewal of the multilateral system embodied in the WTO (Bayard and Elliott, 1994) or if it was an act of cynicism that jeopardised long-term support for an open multilateral trade regime (Bhagwati, 2002).

At the very least, a policy of aggressive unltilateralism made the second prong of US strategy—pressure on other G7 states to mount a new trade round—attractive. The Uruguay Round commenced in September 1985 and the agenda included those new issues deemed essential by the US to the priorities of its trade interests. After protracted negotiations the WTO was born in 1995 as a new organisation with a new remit, central to which were new agreements on trade in services (GATS) and intellectual property (TRIPS) and a dispute settlement mechanism (DSM), all of which the US was keen to secure. It retained the core principles and activities of the GATT but took on tasks that extended into critical areas of domestic public policy. That the US led the agenda of the Uruguay Round is not to imply that it was not supported by other developed economies. The Japanese and Europeans were not unhappy with the outcome, not the least because they felt a new organisation would re-commit the US to multilateralism as a principled form of behaviour in international economic relations.

Under the WTO, in contrast to the GATT, all parties must commit to full membership and a permanent, 'single understanding' of the rules-based nature of the system. Governments that sign on to the WTO take the whole package, which includes not only the traditional instrument of protection—the tariff—but also a whole range of non-tariff barriers.[10] The WTO now intrudes into the domestic politics and economics of the contracting parties, including the US, in a manner unanticipated during the Uruguay Round negotiations.

Indeed, the US has already lost several disputes under the new dispute mechanism (DSM), much to the alarm of a range of groups in the US polity. There was outrage in 2003 at the ruling (effective March 2004) that allows the EU to impose $US4 billion in trade sanctions as compensation for US tax subsidies to exporters.[11] Distrust of economic multilateralism has also grown following the abortive Ministerial Meetings of 1999 (Seattle) and 2003 (Cancun). There is a feeling, widely held in quarters of the US trade policy community that by signing on to the WTO—effectively swapping an aggressive unilateralist trade policy of the 1970s and 1980s for the 'multilateral assertiveness' of the DSM—the US had failed to appreciate the manner in which the DSM would bite it as much, if not more than, other WTO contracting parties (Elliott and Hufbauer, 2002: 404-7).

US commitments to multilateralism have been historically stronger in the trade domain than any other area of policy (especially security). But in the continual tension between unilateralism and multilateralism, the unilateralist urge appears to be gaining the upper hand

[10] For an introduction to the WTO and its operations see Hoekman and Kostecki, 2001.

[11] The April 2004 ruling in favour of Brazil on the illegal nature of US support for its cotton industry has to-date attracted less noisy objection. This is clearly, in part at least, accounted for by the pre-occupation of the Bush Adminstration with Iraq

even in this policy domain. Continued rhetorical commitment to a successful Doha Round must be contrasted with an increasing recourse to bilateral free trade, or more accurately preferential trade, agreements. The US made it clear in late 2003 that failure to progress the Doha Round could lead to it striding out more firmly along the unilateral path. USTR, Robert Zoellick noted, both before and after Cancun, that failure would see the US step up the development of bilateral and regional free trade agreements.

While an interest in bilateral trading arrangements has developed dramatically in US policy circles over the last few years, it is not simply a US phenomenon. But, if the Europeans started it, it is the zeal with which bilateralism has been picked up by the US that is the most telling. US influence, as the strongest partner in any bilateral relationship, remains disproportionate. It is able to offer preferential access to the US market to secure concessions from weaker partners. Under the Bush Adminstration and especially since 9/11, securing of concessions in the security domain has become especially strong. Zoellick sees free trade agreements as a '… privilege that must be earned via the support of US foreign policy and security goals' (cited in *The New Statesman*, 23, June, 2003: 17).

The evidence that political considerations have becomes as important as economic ones for the US in the development of these bilateral trading agreements is strong (see Higgott 2004b) and the trend continues notwithstanding the degree to which bilateral free trade agreements, or other forms of PTAs, are sub-optimal in comparison to the multilateral freeing of trade. They weaken the bargaining powers of poor countries in the MTN rounds by fragmenting, or preventing the development of, coalitions of developing countries as they abandon principle for small concessions from the powerful partner (Bhagwati, 2002). Importantly for this paper, they also weaken the multilateral institutional governmental structure more generally.

3. Multilateralism and the Governance Dilemma: Lessons from the WTO

> 'Is global governance—the structure of international institutions—democratically legitimate, or does it suffer from a "democratic deficit"? This is emerging as one of the central questions—perhaps *the* central question—in contemporary world politics' (Moravcsik, 2004)

Moravcsik's question goes to the heart of the prospects for the development of global governance Type II. Not only do multilateral economic institutions need to be effective and efficient instruments of policy making beyond the territorial state (Type I) they also need to diminish what is widely agreed to be a democratic deficit that arises from the two speed process of the rapid globalisation of the world economy on the one hand and the considerably slower globalisation of governance on the other.

There are number of ways to address this issue. One is normatively through political theory. While this can produce interesting ways of thinking about the democratic deficit, such literature, especially what we might describe as calls for cosmopolitan democracy, often look a little esoteric. Not only does it play down the role of the institutions—although note David Held's (2004) interesting turn from talking about cosmopolitan democracy to talking about 'cosmopolitan multilateralism'—this literature invariably ignores the importance of speaking directly to the policy community and, perhaps more importantly, the nature of old fashioned power politics; especially as practised by the dominant global actor, the US.

There is no getting away from the fact constraints on the multilateral international economic institutions--and the prospects of enhancing Type II global governance—cannot be separated from the structural power and intellectual purpose of the USA. This is not the only issue to be addressed, but it is a necessary one. US attitudes towards multilateral institutions, as I have shown, have changed over time. This change cannot be explained simply by a reading of the Bush era. US multilateralism has always been an exercise in what some call 'Ambivalent Engagement' (Stewart and Forman, 2002) and others call 'Instrumental Multilateralism' (Foot, *et al*, 2003).

The US has accorded greater, but never unconditional, support to multilateral problem solving in the economic, rather than the security, domain. In the economic domain, the principal distinction is the long-standing difference in attitudes towards the financial institutions, in which it has demonstrated a high degree of intrusion and desire for control and the governance of international trade (via GATT and now the WTO) in which it has been more prepared to acquiesce in rule-based governance. Ironically, it may be that the creation of the WTO has pushed the writ of that organisation farther into the domestic political processes of the member states than many, including the United States, anticipated and may in fact be prepared to tolerate in the longer run. This is something we shall not know for sometime to come.

In terms of governance as the effective and efficient management of the global economy (Type I), the international economic institutions have served the interests of the US well. This was the case in the bi-polar era of the Cold War and indeed even still largely so in this unipolar era. But unless the US takes greater account of the Type II understanding of governance—governance defined as enhanced accountability, responsibility, representation (and, indeed, justice)—this may not continue to be the case. Even ignoring good ethical reasons for considering it an essential component of global governance, there are good *instrumental* reasons for advancing Type II governance. The continued globalisation of the world economy—freer trade, freer capital flows, freer movement of technology, all beneficial to the US (and indeed most if not all countries)—cannot continue without developing some structures of accountability and representation. 'Leaving it to the market' won't do. It ignores the degree to which markets are not just organic or spontaneous developments. Rather they are the outcome of the acts of purposive social agents.

We have a well-recognised problem. There is an incompatibility of the continued existence of (i) the nation state (to ensure self-determination), (ii) the development of democratic politics beyond the state (to ensure that public policy is accountable) and (iii) the continuing economic integration of the global economy to enhance global living standards (see Rodrik, 2002). At best, argues Rodrik, we can secure two of these goals, never all at once. As is now recognised, even amongst the most avid of free marketeers (see Wolfa, 2004: 13), global markets (economic integration) without global governance are likely to prove unsustainable.

The current neo-liberal agenda, seen for example, in the Doha MTN round, to the Cancun Ministerial conference at least—with its emphasis on service trade, intellectual property and capital movements and its refusal to address developing country concerns on the issues of agriculture—reflects the continued drive of the US and Europe for deeper global economic integration. But such an attempt to speed up integration also sits at odds with the clamour for democratic politics and representation, both within states and between states. It thus remains neither feasible nor desirable, to continue towards global economic integration at a rate greater than is compatible with the desires of nation states (either via traditional forms of representation) or their peoples (through new discursive, non-statist forms of representation) for democratic input into these processes. Thus we need to think, more pragmatically, of what can be achieved. For Rodrik, for example, the alternative is a renewed Bretton Woods Compromise, the aim of which should be:

> [t]o preserve some limits on integration, as built into original Bretton Woods arrangements, along with some more global rules to handle the integration that can be achieved. Those who would make different choices—towards tighter economic integration—must face up to the corollary: either tighter world government or less democracy. … [We might need to] … scale down our ambitions with respect to global economic integration … [and] … do a better job of writing the rules for a thinner version of globalization' (Rodrik, 2002: 1-2)

Or, put as a question: 'Can we have global economic integration without global governance?' To pose the questions is not to resist the central importance of markets, rather than to require an ethic of global governance that suggests *global governance as effective and efficient problem solving and global governance as enhanced accountability are not for de-linking.* But there is a widely held belief amongst 'rule takers' that Type II governance is ignored, or at least treated as a secondary variable, by the powerful actors. This alone is sufficient to weaken governance Type I (for an elaboration see Brassett and Higgott, 2004.) Of course, the need for greater precision of the terms at the core of governance Type II, is acknowledged. Greater accountability and transparency at the global level, expressed more discursively than institutionally in the first instance, might not equate to an understanding of the kinds of democratic accountability, experienced *within* the advanced western democracies. Only by being explicit can we begin to take the process forward. Perhaps it is in this context that the agenda of a body like the G-20 may gain momentum as a alternative venue for taking the global discussion over Type II governance forward.

In theory, the multilateral institutions should play the major role in bridging the gap between our two types of governance. They should underwrite and enhance cooperation in the interests of all participants in an accountable and transparent manner. Their aim should be to ensure the stability of the global economy (assumed to be an unalloyed public good) and provide problem-solving strategies for new stresses on the system as they emerge. The problem, of course, is that many sections of the world's policy community (both public and private) do not accept these theoretical assumptions. Even if they do, they see the organisations fulfilling only, and invariably sub-optimally, the Type I side of the bargain. The other half of the equation—the need to make these institutions more accountable to, and representative of, the majority of their members—is un-realised.

The international economic institutions, as is now widely accepted, have a legitimacy deficit. To revisit the WTO, a presence on the barricades at Seattle or Cancun is not required to think this. Indeed, many officials in the institutions are sensitive to this charge. The lack of accountability of the institutions to all but their most powerful members is not new.[12] What has made this accountability no longer acceptable are some increasingly telling critiques. Not all of these are merely anti-globalisation rhetoric, as even staunch globalisers are prepared to concede (see Wolf, 2004b). But institutional reform has not kept pace with the exponential change in the global economic system nor have demands for it to be 'democratised'.

This is not simply a normative issue of fairness, reasonable as such a claim may be. It is practical issue. It is understood how the structure of negotiations marginalizes smaller, less well-equipped nations. Limited financial and human resources—especially the absence of specialised knowledge (proficiency in GATT-speak at a minimum) and specialist non-state actors able to support the national interest—works against developing country participation (see Page, 2003). Civil society support to developing country participation, given the expense and a limited knowledge-pool, always leaves developing countries at a disadvantage compared with better resourced developed countries (see Edwards, 2001 and Scholte, 2003).

Nor is civil society support axiomatically an advantage. Unlike business groups and corporate sector actors, civil society actors do not find it so easy to secure access to the decisions making processes. The governing norms and the language of the WTO is the language of neo-liberalism. Unsurprisingly, it projects an unquestioned emphasis on the core market values of competition and efficiency—global governance Type I. This is also, of course, the language of business groups and experts, comfortable with the sentiments present in the neo-liberal discourse, but also competent in the technical language of the WTO. This

[12] Woods (2001b) and Woods and Narliker (2001) have provided detailed empirical studies of the limits of accountability through their Executive Boards of the international institutions to their member governments. See also Verweij and Josling, 2003 and Howse and Nicolaidis, 2003).

empathy and expertise ensures a high degree of access to the trade policy community (see the access of the *Evian Group for Economic Order in a Global Era*, www.eviangroup.org.)

On the other hand, most civil society actors, especially those with a development focus critical of the WTO and how it conducts its business, are mostly not regarded as sources of 'expert knowledge' on the international trade regime. Rather they are seen as antagonists and activists. Their role in the decision-making processes of the WTO have not been, nor indeed is it likely to be, legitimised or normalised in the manner accorded to corporate actors.[13] As a consequence, the decision-making processes of the international economic institutions will remain contested domains of legitimacy. Calls in the Doha Round to address 'new issues', before many developing states have come to terms with expectations on them from the Uruguay Round—when coupled with the absence of any movement by major powers on issues such as agriculture and democratic reform in their governance structures—have generated resistance and stretched the WTO to breaking point.

Difficulties of Reform in the WTO: Nothing demonstrates this better than the deadlock at the 2003 Cancun Ministerial Meeting to progress the Doha Round. Cancun represented a major stand by the developing countries against mission creep. The G-21 (now G-20+) of developing countries, led by Brazil and India, thwarted European and US efforts to introduce a series of new issues—the so-called 'Singapore' issues on investment, transparency in government procurement policy, trade facilitation and competition policy—onto the Doha agenda. Views on the importance of the G-20+ are mixed, but the firmness (or intransigence, depending on your view) of the stand by the developing countries in the face of extreme pressure from the major states represents a watershed since the birth of the WTO.

To its developing country members the G-20+ in Cancun was a group not only aimed at stopping the introduction of the Singapore issues onto the Doha Agenda, but also of making a stand against what it, rightly, sees as the developed world's most debilitating policy for southern economies—the massive subsidy of developed country agriculture. More importantly, for this paper, the birth of the G-20+ was an attempt to say that MTN rounds are

[13] I should declare an interest here. I am a member of the Evian Group—a veritable epistemic community—and supportive of its aims and agendas. But this does not mean that I am unaware of the structural and discursive barriers that are often in the way of other less well-supported civil society actors. Thus my point here is to illustrate the differential nature of access available to different groups at different points in the policy process and, more importantly, the way that this is determined.

not simply moved along by agreements between the US and Europe. If the WTO is to work then the developing world must have greater voice than in the past. The emergence of the G-20+ is as much a Global Governance Type II issue as a global governance Type I issue. For the US (and the EU) and as voiced by USTR Zoellick, the activities of the G-20+ represented a wrecking exercise by 'can't do nations'. This was a bad tempered misreading. The G-20+, despite the support that its stand received from WTO abolitionists, represents a strong reformist, not wrecking, position in the developing world.

Indeed, positions in the debate over the future of the trade regime are complex. Opinion spans the political spectrum from left to right and north to south. It must also be disaggregated with regards to issue-area—agriculture, GATS, TRIPS and the new (Singapore) issues. Opinion can be classified in a number ways. But I simply identify two main categories—*dismantlers/ abolitionists* on the one hand and *supporters* on the other. These two broad categories should then be sub-divided. Abolitionists can be of either a *southern radical* persuasion (*pace* Focus on the Global South, Third World Network) or a *northern nationalist* persuasion (*pace* conservative US think tanks such as the Heritage Foundation or the American Cause). Similarly, supporters can be of either a market privileging *neo-classical* persuasion (most academic economists, the Institute for International Economics, Evian Group) or of a more *interventionist Keynesian* persuasion (such as Oxfam or the World Development Movement). [14]

The abolitionists in the anti-globalisation movement, especially those who believe that the US is less concerned about the future of the multilateral trading system than building a series of bilateral and regional trading regimes in hub-and-spoke fashion, or a trade empire that mirrors the realities of its unrivalled military power, would dismantle the existing institutions altogether (see Bello, 2002; Jawara and Kwa, 2003; Peet, 2003). The American nationalists—or what others call the 'new sovereigntists' (Spiro, 2000) or 'new exceptionalists' (Hoffmann, 2003)—would equally shed few tears at the end of the WTO. These latter groups believe the US would be better off liberated from its intrusions. They would exercise an exit strategy.

[14] This is but one way to classify opinion. See also Said and Desai, 2003).

Reformists, despite internal differences, resist the argument that the IMF and WTO are past their use by date. Woods (2003) argues that there have been serious attempts to make decision-making procedures more transparent and that there is still some momentum for reform. But internally generated reforms have focussed on an understanding of improving governance Type I rather than developing governance Type II. Change overtime in the organisational structures of the multilateral system has not exhibited the institutional learning or adaptive capacity required to take account of the aspirations of the developing nations (and new actors from civil society) for greater inclusion in the decision-making processes.

The WTO may not yet have reached crisis point. But two out of its four ministerial meetings since its inception in 1995 have ended in breakdown. If attempts to restart the Doha Round in 2004 are not successful then questions about the longer-term viability of the WTO will increase. Rethinking the way forward will have to take place on two fronts: firstly and immediately, the Doha Round must be re-started. This will require stepping back from the 'Singapore' issues and serious proposals for agricultural reform from the EU and the USA (see Rollo, 2003)[15]. Secondly, and more importantly in the long run, how to restore the principled believe in multilateralism as a *modus operandi* for global problem solving will have to be seriously addressed. While it is a principled question, it is also about policy choice.

A twofold strategy (assuming we ignore exit options) appears to be emerging. One strategy is to continue attempts to allow greater participation by non-governmental actors and increase the capabilities of the developing states in the inter-governmental process by concerted WTO-friendly capacity building. This route, emanating from within a reformist camp, is slow and, judged by results, not particularly effective. A second strategy straddles both reformist and abolitionist camps. This is the increased pursuit of activities parallel to, but separate from, the existing multilateral inter-governmental process (see for example, Pianta, 2002; Houtart and Polet, 2001.

This emerging approach is not without difficulties of its own. Like the first strategy, it is reformist, but in other ways very different. It is, in effect, an attempt to create a 'new multilateralism' for the 21st century, one that changes assumptions of global order and alter

[15] At the time of writing Robert Zoellick and Pascale Lamy are trying to do just this.

policy outcomes *from below*. It contrasts with what we might call the multilateralism of the 20th century, in which international institutions extended their remit geographically (by widening institutional membership), functionally (by deepening coverage of issues) and inclusively (by the cooption and socialisation of recalcitrant actors into the dominant neo-liberal market mode) *from the top*. As the next section suggests, the G-20—in its search for enhanced financial stability and attempts to upgrade its activities to leader's level—represents the major intergovernmental exercise in the new multilateralism. Its remit has not, yet however, extended to the trade domain.

But reformists and dismantlers alike—albeit with different agendas—appreciate that if institutional change capable of addressing legitimate demands for accountability and representation of the smaller, but weaker members cannot be found, the continuance of the these institutions, and by extension, governance Type II, will become increasingly difficult to sustain. Increasing economic nationalism in the developing world will rub up against the global liberal project in a progressively more strident and combative fashion. This emerging problem, from below if you like, is a major problem in its own right, but it is inseparably linked to problems from above, and especially the question of an oppositional US attitude towards multilateralism going forward into the 21st century.

The G-20 and the Financial System: As with the trade community, then so too in the international financial arena, reform that will strengthen the relationship between global governance Type I and Type II is both required and difficult. In fact, the global financial architecture is in many ways more difficult to reform than the global trading system. Where the two once walked in tandem, they have now in many ways been disconnected. Global trade is still very much part of 'the real economy', associated with hard material production and exchange. But it has, in the words of Peter Drucker (1996) been 'severed' from the international financial system. By contrast, although while no less real in its impacts, the international financial system operates in a much more opaque, increasingly virtual, world. The financial system has become rapidly more significant and globalised (Ferguson, 2001)—by the turn of the millennium, the derivatives and foreign exchange markets exceeded world GDP by $US300 trillion (BIS, 2000). At the same time, and without contradiction, it has, also become more decentralised as new regional centres of influence in continental Europe and Asia have joined London and New York (Langley, 2002).

If we are seeing what Germain calls 'decentralised financial globalisation', it poses major questions for the nature, scope and actions of institutions that may or may not be in a position to regulate the new financial system in a manner that does not exacerbate the distinction between governance Types I and II. The global financial architecture—as it was during the Bretton Woods era—is no longer dominated by a single actor. The IMF may still be the major actor, but it is also but one amongst many that also include bodies—such as the BIS, IOSCO, accounting and legal firms, insurance companies, pension, mutual and unit trusts, rating agencies—all of which in one way or another, are involved in the process of establishing prices and allocating risks. Similarly, while the US remains the dominant state, it is a lot less hegemonic in this context than is often assumed (see Germain, 2003: 13).

Similarly, the financial domain, again more so than the trade domain, is characterised by high-level specialist knowledge in its dialogues. The arbiters of what constitutes consensual, usable social knowledge, resides with the specialists at the core of the primary actors in the international financial sector. It would be naive expect actors from the NGO sector to possess comparable influence. Self-regulation, even amongst system reformers, is still the only real option contemplated. And self-regulation is still the policy option of choice in the G-20. Although normative questions of justice and fairness do find their way into 21st century discussions, and certainly more than in the past, adjustments of a technical nature to ensure systemic stability—within the paradigmatic context of a broad market based, if not now exclusively neo-liberal, agenda—drive any proposed programme of reform (see Porter, 2002).

So, while the problems the international financial system with regards to the issue of legitimacy and voice are similar to those of the international trade regime, the strategies for reform are somewhat different. It is more complex, more technical and more reflective of the new economy than the international trade regime. It needs to find new ways of creating an inter-state architecture—to regulate the system and develop new codes and standards—that cannot rely just on trying to reform and re-boot the principal global institution. It is also clear that a variable geometry is emerging that sees initiatives to offset financial instability develop at regional levels (such as the post 2001 Chiang Mai initiatives in East Asia[16]) as well as

[16] For a history see Deiter and Higgott, 2003. Note also the May 2004 proposed initiative to unify the bilateral lending initiative developed at Chiang Mai and create a single, regional multilateral lending facility in East Asia as the precursor to an Asian financial union (Vatikiotis and Holland, 2004).

global ones like the G-20. Perhaps the importance of G-20 will be determined by its ability to promote 'publicness' (see Drache, 2001) as part of a need for a greater consensus based approach towards the governance of international finance. The scope for the G-20, and its prospects for success, should not be over-egged. While some advocates have big plans for it, to-date it has mainly worked to provide impetus for institutions such as the IMF, World Bank the FSF and, as a venue for a dialogue between industrial nations and emerging-market countries, to obtain emerging-market political consensus for institutional initiatives arising elsewhere (http://www.g20.org/public/index.php).

Arguments for a G-20 are twofold. The first is that we need to address the changing structural configuration of the global economic. While the G-7/8 economies are currently dominant, major structural changes in GDP and global demography are coming about. We are seeing a dramatic growth in the role of the major emerging economies. China, India, Mexico, Brazil and South Korea are in the top 10 largest economies. These changes will have the effect of progressively reducing the role of the G-7/8 (proportionately and collectively) in the global population and economy (see Bradford and Linns, 2004.) In theory, therefore, the extension of G-7/8 to G-20 is thus 'rational' and just. The G-20 currently accounts for close to 90 percent of the world's economy. Large sections of the world's population, accounting for an increasingly large proportion of the world's economy cannot be excluded from the decision-making processes indefinitely. A re-ordering of the institutional structures of global governance (both formal and informal) must come—later if not sooner. Better that it unfold rationally rather than by *force majeure* 25-30 years down the line.

Secondly, while the G-20 aims to facilitate dialogue (at this stage amongst finance ministers on issues of financial stability) across the north-south divide—and do so as free as possible of the bad temper that infects the longer standing institutions—it is also an explicit recognition that the emerging market economies are under-represented in the decision making processes of the traditional institutions. It is also a recognition that the mandates of the institutions, notwithstanding 'mission creep', remain too narrow to reflect the interests and concerns about the global economy of the emerging market economies. From an emerging market perspective, especially in East Asia and Latin America, there is still a suspicion that the G-20 is only really a cosmetic attempt to legitimise the global economy in the wake of the financial crises and instability of the late 20th century. Any legitimacy deficit will only be overcome via concrete endeavours to put in place vehicles for not only greater discursive, but also deliberative, inputs into the decision making process. We need new discursive spaces where the policies and actions of the institutions, and their major constitutive actors, can be discussed in a more strongly transparent manner.

It is clear that the nature and pace of reform in the existing institutions is neither quick enough, nor dramatic enough to assuage the views of those who feel marginalized in the domain of Type II Governance. It is in this context that innovations such as the G-20, if the predominant influence of the G-7 in the organisation can be astutely managed, might offer a longer-term wider domain for the oversight and discussion of the international financial system and in which the developing countries can feel they have voice. There is no doubt that the G-20 is attracting attention for it's bridging potential between North and South in the area of financial governance. The real question is whether there is anything to be gained by, and if it is feasible to, upgrade it to a leaders summit as advocated in a range of quarters as a way of widening the base of global economic governance (see Bradford and Linn, 2002). Can the G-20, in Fred Bergsten's words (2004: 6) ' … gradually, but steadily succeed the G-7 as the informal steering committee of the world economy?' It is too early to tell.

Transparency, capacity building and participation are the keys to injecting new life into multilateralism. In the absence of hegemonic leadership from the US, the kind of collective leadership offered by the G-20 becomes, *faut de mieux*, important. But the G-20 has clear limitations. It is reflective of the shift from hierarchical to network governance of a kind with which the US is not overly enthused and with all the limitations of network-based activity amongst states should the major player not be supportive. As the next section suggests, the prospect of the USA being pro-active in the process of enhancing and upgrading the role of the G-20 should not be assumed.

Living with the USA: G-1 and Competing Views of Multilateralism: I have highlighted the structural changes in the mission of two traditional institutions (the IMF and the WTO) and the emergence of a new discursive actor (the G-20). A process of institutional modernisation—that takes account of the aspirations of the developing world and new civil society actors—is required to take these organisations forward under conditions of enhanced, but contested, globalisation in the late 20th century. But this is not a problem that can be dealt with in isolation from wider considerations in the contemporary global order. The prospects for successful reform of multilateral economic governance as a collaborative endeavour will be minimal whilst the US maintains the stance it has progressively adopted from the closing decade of the 20th century and consolidated under the Bush Administration in the 21st.

Notwithstanding US military and economic preponderance, the changing structures of authority that pertain under conditions of globalisation sit badly with current thinking and practice in US foreign policy. To understand why, we must appreciate that one element in the recent theory and practice of global governance—the evolution of *global networks* at the expense of *international hierarchies*—is not welcomed in Washington. Networks pursue their activities (such as waging unconventional war on states) by using systems of sprawling, horizontally interconnected, networks of private power and authority (Rosenau, 2002, Hall and Biersteker, 2002.)

Economic globalisation is seen increasingly in the USA through the lenses of the national security agenda. It is a 'security problem' (US Government, 2002.) In such a context, the dilemmas of reconciling state focussed US security instincts with these new patterns of activity—influenced not only by states, but non-state actors, trans-national forces and new kinds of threats—is proving hard for US Governments to come to terms with. The blurring of the borders between what is domestic and what is international in the policy process has challenged traditional US understandings of national interest, especially in those policy domains where trans-national decision-making clashes with US domestic law or runs up against a US conception of national security. Moreover, Washington has not adjusted well to 'discursive', networked or internet-led, conference style diplomacy that appears to diminish state control over the policy process (Wedgwood, 2000: 35-40).

In this respect, the USA is different to other major powers. It is not necessary to accede to Robert Kagan's overdrawn suggestion that Americans are from Mars and Europeans are from Venus (2003) to see differences between a continental European and American approach towards global governance. For the Bush Administration, what drives contemporary world order is 'US primacy' and freedom to manoeuvre. For Europeans (including the UK) it is 'globalisation' (Daalder, 2003: 151-53). Europe, in theory if not always in practice, prefers a more cooperative and inclusive approach with a stronger normative attitude towards multilateral governance structures at the global level than is found in the US foreign policy community. It is inconceivable that a document similar to *The EU and the UN: The Choice of Multilateralism* (Commission of the European Communities)—and that argues for a ‘systematic *integration of multilateral and bilateral policy objectives’* (their emphasis) (2003: 10)—could appear in the US.

Without over-stating the case, similar distinctions may also be drawn in the early 21st century relationship between the USA and East Asia. East Asia too, places a greater stress on multilateral and regional cooperation. We live in an era of the ‘new regionalism’ that has developed since, the financial crises of the closing years of the 20th century. Regional economic dialogue and interaction both *amongst* the states of Northeast Asia (China, Japan and South Korea) and *between* these states and the states of Southeast Asia through the development of the ASEAN + Three (or APT) process has grown rapidly (see Stubbs, 2002). To be sure, there may be a gap between theory and rhetoric on the one hand and practice on the other, and the regional cooperative dialogues remain rudimentary when contrasted with the level of integration to be found in Europe. But these dialogues have been spurred on by the perceived limitations of the multilateral system and the changing relationships of the East Asian major regional actors to the USA. If even a ‘hard case’ test of multilateral intentions such as East Asia registers positive, then stronger support can be found among other traditional multilateralists (such as the Scandinavians) and Canada, (currently driving the G-20 process).

The preceding discussion should not be taken to mean that if it were not for the USA all would be well in the development of a multilateral process of global governance. Nor is it to argue that the US has repudiated multilateralism as an institutional form of governance *in its entirety*. But multilateralism for large sections of the US policy community, at best, implies the opportunity for others to free ride. At worst, it implies sovereignty dilution and unwanted entanglements. The US has become more instrumental and selective in its choice of issue areas in which it will adopt a multilateral approach. As can be seen in post-Saddam Iraq the US would like to accept ‘legitimating’ and burden sharing multilateral support, provided it suits its preferred policy positions and does not constrain its ability for manoeuvre.

This ‘loose’ American approach to multilateralism has a long pedigree (Stewart, 2002: 12-13 and Luck, 2003). US allies readily acquiesced in it during the Cold War, when their dependence on US power was manifest. Things changed, and continue to change, in the post-Cold War era. US Allies, especially the Europeans, seem intent on creating an institutional order less dependent on American power, more dependent on rules and principles and in which the US is granted less prerogative and licence than in the past. Nowhere is this better illustrated than in the contrast between the increasingly systematic use of the WTO dispute settlement mechanism by the EU on the one hand and the across the board resistance (UN, ICC, Kyoto, Land mines etc) by the US to containment within multilateral institutions on the other.

Conclusion

Following the earlier definition taken from John Ruggie, multilateralism is not just one tool in a box. Rather it should be seen as a trust-enhancing commitment to principled behaviour, and an institutional form. As Lisa Martin (2003) has persuasively argued, the United States has effectively rejected this view in favour of an opportunistic, *ad hoc* approach in which the very idea that the dominant global power might act in a self-binding way in the interests of multilateralism, as an important institutional form of governance, has been disregarded. For multilateralism to work, rules must bind the hegemon, as well as the smaller players. Historically, especially in the immediate post World War Two era, the US behaved in such a way, with an eye to the future. 2004 might be seeing the Bush Administration stepping back from the harshest phase of its antipathy to multilateralism of 2002/3. But even given continued difficulties securing the post-war settlement in Iraq, it still resists the notion of investing in multilateral principles and norms. As Martin notes:

> 'Turning to multilateralism only under duress and when it appears convenient demonstrates a lack of commitment, even an implicit rejection of the principles of multilateralism. … This hollows out the core of such organisations, as they no longer provide the self-binding function they once did. … Without the self-binding of the hegemon, multilateral organisations become empty shells (2003: 14).

If we follow Martin's logic, then even with a change of Administration, in Washington, the trust deficit that has been created is likely to remain for some time to come. The reputation of multilateralism as a principal (and principled) element of global governance in both the economic and the security domain in the early years of the 21st century is badly damaged. Whatever other players do, individually or collectively and be they private or public, repairing this damage will be constrained while the US remains selective in its approach the multilateral system.

But, this is not to suggest that all that is required is a change of heart in the US. This is a necessary, but not sufficient condition to build positive structures of global economic governance and it is not axiomatic. Any Administration in Washington is nowadays subject to pressures from assertive domestic interests that—not unlike like US allies in the international domain—have been freed from the disciplines of the Cold War. Growing numbers of politically powerful domestic actors—concerned by what they see as the negative impact of globalisation on jobs and welfare—increasingly rail against the US accepting binding multilateral commitments or indeed undertaking other foreign policy initiatives in general.

For some, however, even a change of heart will not rectify things. As Ikenberry (2004: 20) argues, the Bush Administration has made a dramatically wrong strategic decision that has under-minded US credibility, prestige, security relationships and goodwill to such an extent that it will take many years to undo. Its 'neo-fundamentalist' security policies of the 21st century have 'squandered America's moral authority'. It is a conclusion of this paper that US policies towards the multilateral economic order have exacerbated this situation.

In this context we should conclude by asking in what way a G-20 style organisation might help. Can it be an alternative route to multilateralism? Can it be a vehicle to help advance cosmopolitan, or at least a limited form of Type II, governance? Certainly, the G-20 is more representative than G-7/8, but it is still essentially statist, while the nature of global economic interaction is much less nationally determined than at any time in the recent past. As the standard texts now tell us, globalisation's principal impact (especially the communications revolution, trade liberalisation, financial deregulation and state asset privatisation) has not been simply to grow economic activity in the aggregate sense, but to render less salient a traditional 'national' understandings of economic activity (see for example, Scholte, 2001). This means we do need a more strategic and 'joined-up' approach to the management of globalisation. Is, as some aspirational literature suggests, a statist G-20 (even if upgraded to the status of a Leaders Summit) likely to 'serve as a forum … for the management of globalisation?' (CIGI, 2003: 6) Again, it is too soon to know.

While there is clearly a need for greater inter-sectoral policy coordination, for the foreseeable future we must expect the US and the EU—separately, or together as a G2 even (Bergsten and Kock-Weser, 2004)—to pursue their own interests when they clash with the wider G-20. There is still no consensus on what constitutes global public goods or bads across the spectrum of north-south politics. For the major powers, notably the US, disorder, misrule and the new security challenges are the major 'public bads'. For southern states, especially since the invasion of Iraq, national and cultural humiliation —along with a lack of ability to influence the course of events in international affairs (both economic and political—have become the principal public bads. This polarisation of thinking makes the prospect of a north-south consensus on public goods (especially financial stability and an open liberal trade regime) in the economic domain all the more difficult to achieve.

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It is not impossible, however, that a G-20 style organisation could have a quasi-legitimating role for in the current debate over global governance, especially in the largest emerging market economies, and especially if it was given some kind of oversight (even if only discursive in the first instance) of the Bretton Woods institutions and the WTO. At the very least it creates a forum in which a wider range of voices on the global economy might be heard. Moreover, there is an important agenda for reform emerging in the 'post' post-Washington Consensus era that requires a venue for deliberation if resentment is not to fester as it did in the 1990s.

But there are still a series of first order problems in need of resolution before a G-20 might scale up to a Leaders level activity. These, for example, include the development strategy to be adopted (incrementalism versus a 'big bang approach), the degree of civil society participation and the composition of the membership (see Heinbecker, 2004). But perhaps the fundamental hurdle, identified in this paper, is the need for a change in the style of diplomacy presently adopted by the USA. If the US wants to re-build some of multilateral bridges burnt during the early years of the 21st century, then support for a G-20 might be a start, especially given that one major advantage of the G-20 is its inclusion of major states from the non-western world. Securing a new diplomacy might seem like a principally procedural issue. But, as I have tried to suggest in this paper it is a much more deep-seated problem. The difficulty is that a return to multilateralism in international relations requires a style of leadership and diplomacy from the USA that is flatter, less hierarchical, more inclusive, less materially determined, and accompanied by a willingness on the part of the US to jettison the negative attitudes—currently strong within its domestic polity—towards such enterprises.

The basic public goods for a 'just' global era—economic regulation, environmental security, the containment of organised crime and terrorism, the enhancement of welfare—cannot not be provided on a state by state basis, or states alone. They must be provided collectively. Private sector actors, from both the corporate world and civil society, will continue to grow in significance in inter-governmental negotiation processes, as issue-linked coalitions increasingly operate across borders to set agendas and, by extension, require governments to generate policy compliance mechanisms. But even in less stressful times for global policy-making than the early 21st century, change is likely to be slow. Notwithstanding the increasing importance of non-states actors, inter-state cooperation is still at the heart of successful policy making at the global level and it is still driven by *domestic actor preferences* (Milner, 1997). especially those emanating from within the USA. Despite impeccable theoretical and normative arguments in favour of collective action problem solving, the prospects for enhanced successful multilateral cooperation should not be exaggerated.

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