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EDITORIAL

Global Governance

This report represents a contribution by the Council of Economic Analysis to the ongoing debate on globalisation. This is not the first time we have dealt with this issue, nor is it likely to be the last. However this particular report does not specifically address international trade, international finance, or the global dimension of environmental policies. Rather, its focus is the principles on the basis of which globalisation is governed (or not governed). It thus discusses issues that have given rise to much controversy: the mandate and accountability of international institutions; the rules of international public policy and the de jure or de facto pre-eminence of the rules of international trade; the role of the states in the management of this multilateral institutional framework. The authors of the report and the accompanying contributions have endeavoured to decipher the controversial areas and clarify the nature of the issues that have been raised. The size of the report reflects the areas of convergence and controversy.

Jean Pisani-Ferry
Executive Chairman of the CAE

Report by Pierre Jacquet, Jean Pisani-Ferry and Laurence Tubiana

The Global Governance report was produced through a combined effort based on complementary and at times contrasting analyses. Pierre Jacquet, Jean Pisani-Ferry and Laurence Tubiana present their conclusions in a synthesis report entitled Global Governance: the economic institutions of globalisation. The volume includes comments by Christian de Boissieu and Élie Cohen, together with seventeen contributions divided into six sections. The first three cover broad issues: the current situation, describing the various international institutions; debates, comprising views of the issues surrounding global governance; principles, representing more analytical documents on the foundation of this governance. The three remaining sections are based on sector analysis covering international monetary and financial issues, trade and investment and finally the environment.

This report was submitted to the plenary session of the Council of Economic Analysis on 13 September 2001 and on 4 October 2001 in the presence of the Prime Minister. This Letter provides a summary written by the permanent members of staff of the Council of Economic Analysis. However the opinions expressed therein represent the views of the authors of the report or comments.

The institutions of globalisation

The report by Jacquet, Pisani-Ferry and Tubiana deals with the governance of the global economy. This term was chosen because the word 'government' has a potentially misleading connotation of centralisation. *Governance* expresses the basic problem of global economic organisation: how can you govern without a government?

The issue of global governance has already been discussed in previous CAE reports. However the discussion was restricted to specific sector problems and failed to address the common issues within the various sectors –the nature of the rules and of international institutions, the governance of those institutions– and the problems associated with global architecture –the relationship between various sector areas, the equilibrium between institutions and their overall supervision. These are the issues addressed in the present report. It places greater emphasis on the principles of global governance than on the actual substance of the relevant policies. To use an analogy, it addresses constitutional rather than policy issues.

Discussion of the principles is indeed essential in order to consider reforms to global governance, as the answers to a range of highly topical questions in the public debate on globalisation cannot be provided through an exclusively sector-based approach. This is apparent in the discussion on the IMF's alleged mission creep or the trade and environment debates.

Governance expresses the basic problem of global economic organisation: how can you govern without a government?

The approach adopted in the report required close examination of the criticism of global governance and globalisation in general. The report itself frequently adopts a critical tone. However this should not hide the achievements of the international economic system in the post-war period. This system ▶

has produced an unprecedented increase in trade, it has stimulated the international dissemination of technology, averted the generalisation of financial crises and established for many countries the foundations of unprecedented growth. One of the reasons for this success has been that the system of governance established at the end of the Second World War has displayed a remarkable capacity to adapt to economic and geopolitical change.

Globalisation in danger?

Jacquet, Pisani-Ferry and Tubiana emphasise that sustainable economic integration requires that the populations reap the benefits, that the states agree on the objectives and that the governing institutions are perceived as legitimate. These three conditions have only been partially fulfilled:

- Global economic and financial integration is far from being an unmitigated success. While there has been a narrowing of the gap between the rich countries and a number of the poor countries, there have been failures in development and the link between economic openness and growth remains disputed. There are both winners and losers between the nations as well as within the nations. Many of the countries that have benefited from globalisation have suffered severe, costly financial crises. Financial globalisation is a potential provider of major benefits. However providing these benefits requires rules and institutions commensurate with the risks arising from the mobility of capital.

- As a result of the growing involvement of the emerging and developing countries in international integration, new areas of disagreement have emerged in trade negotiations. The disputes mainly involve the 'North' and the 'South' but also affect the North itself. These areas of disagreement account for the recent series of setbacks in international trade negotiations: the breakdown of negotiations on MAI (Multilateral Agreement on Investment), the fiasco of the WTO Conference in Seattle, the failure of negotiations on global

warming in The Hague. Subsequent successes are welcomed but have failed to fully offset the impact of initial setbacks. International disagreements are no closer to being resolved. China's inclusion in the WTO represents a major change that is essentially positive, but also likely to render multilateral trade negotiation more complex.

- There is a growing challenge to globalisation among the industrialised nations that can no longer be ignored or contemptuously dismissed. The phenomenon has gathered pace and gained visibility. Growing internationalisation of social movements, more clearly stated inter-thematic solidarity and radicalisation of the forms of protest all testify to the changes in this challenge.

Of course these questions are extremely heterogeneous. They are however inter-linked: for example, the failure of negotiations fuels the element of protest and the negotiations themselves become increasingly complex as they seek to reconcile the interests of the developing countries and the concerns voiced by Western public opinion.

The need for reassessment

What are the real difficulties? They can be ascribed to a large extent to failures or internal breakdowns in each of the areas of global integration: international organisations are first of all criticised when they act unconvincingly. According to Jacquet, Pisani-Ferry and Tubiana it would however be a mistake to reduce the difficulties to a series of sectoral deficiencies. Common problems emerge from specific setbacks.

First of all, there is a crisis of finality. The clearly defined goals of the post-war period – encourage free trade, monitor macroeconomic policy, finance development – have been replaced by an accumulation of objectives that are not drawn together by a homogeneous vision of the future. Economic integration has become an end in itself. However economic theory has challenged the assumptions of conventional models and no longer delivers an unambiguous

analysis on the benefits of trade and financial liberalisation. This does not imply that liberalisation is no longer desirable, but suggests that its foundations are no longer as simple as before.

The institutional framework is unbalanced and incomplete. In spite of the international organisations' capacity to adjust, a gap has emerged between the nature of the problems to be handled and the international architecture: the latter has not adjusted to the scale of current problems. For example, the environment has become a major area of concern and negotiation, yet it has not been endowed with the adequate institutional structure. Furthermore, problems associated with decision-making and co-ordination between the institutions are addressed through *ad hoc* solutions that are often effective but inadequate in terms of underlying principles.

Can international organisations present themselves as mere implementation agencies?

The fairness of the negotiating processes is being challenged. Historically the club approach has proved to be one of the most effective negotiating models. However the flaws of this model have now become apparent, at least in its traditional form, as those who are excluded from it are increasingly reluctant to subscribe to the definition of the standards. The developing countries thus raise the issue of the equity of international rules and that of leadership, meaning power.

The lack of accountability of international organisations raises doubts over the legitimacy of their decisions. Although these decisions are based on the mandate granted by the States to the institutions, there are a growing number of direct challenges to these decisions. This challenge and the *ad hoc* nature of the response raise the question of the nature of international organisations: can they shun realism and present themselves as mere agencies for implementation, devoid of any specific political responsibility? Alternatively on

what basis should they assume a political identity vis-à-vis public opinion and the institutions of civil society? The debate over the WTO or the IMF raises the question of the nature of the system of global governance.

How should global governance be approached?

In order to structure their analysis, Jacquet, Pisani-Ferry and Tubiana build on four stylised facts of international integration.

- The incomplete character of international integration. Despite the greater openness of the economy, many indicators reflect the fragmented nature of the global economy and the persistence of national barriers. The utopia of a border-free world thus remains a distant prospect and the States represent and will continue in the foreseeable future to represent significant economic entities.

- The heterogeneous nature of collective preferences, notwithstanding the process of globalisation that is often perceived as a relentless process of homogenisation. American and European preferences provide an illustration of these long lasting discrepancies: there is very little convergence between them in terms of the breakdown between the public sector and the private sector, the tolerance of inequality and the demand for redistribution, the attitude in relation to risk, or the definition of property rights. In fact, in some instances globalisation acts as a factor accentuating differences rather than a force for homogenisation.

- The emergence of global issues is illustrated by alarm over the global environment but extends well beyond this aspect. It shifts the emphasis from the management of bilateral relations to the organisation of collective action. This produces a new model for representation and managing interdependence, which tends to apply to a growing number of areas.

- Finally, the emergence of a global civic consciousness, of which the challenge to globalisation is a component, represents the latest salient fact. ▶

A growing number of movements and organisations are extending the debate to the international or global arena. Despite its limitations, this trend clearly emerges as a logical response to the growing number of global governance issues.

In fact, the global economy can neither be viewed as an entity undergoing rapid homogenisation nor in its traditional representation as a duplication in economic terms of the principles of the Treaty of Westphalia. Analysis should be based on two dimensions, namely integration (which is less complete than is generally assumed) and solidarity on the basis of a shared destiny (less absent than is generally assumed).

Two main approaches to the global economic order may be associated with both of the above dimensions. The first emphasises stable game rules aimed at coordinating State and private sector policy. Under this scenario global economic governance fulfils the free-market ideal by removing political considerations. Any analogy with a national government is by its very nature unfounded. Conversely, the second approach assumes the existence of shared objectives and emphasises the executive function. It views global governance as the extension of the policy of national governments. International practice hesitates between these contrasting approaches. The latter approach has dominated the post-war period. However the first has not yet disappeared and provides the basis for criticism of the multilateral system.

On this basis, how should the models of governance be analysed? The report identifies two traditional models and three emerging modalities of governance, each of which is reviewed.

Global government has the appeal of consistent utopias and represents the transposition on a global scale of the model of democratic government provided by federal States. However it suffers from the lack of global citizenship that could provide the underlying foundation. It should therefore be viewed as an intellectual reference rather than a potential operating model.

The second traditional model, involving **institutionalised co-**

operation between nations, has definitely proved to be operational. However it suffers from several deficiencies: it is ill equipped to handle global problems as nobody represents the general interest; its foundations are insecure as the issue of the weighting of votes has not been addressed; it has already been superseded by reality as a result of the identity and autonomy that the international institutions have already acquired.

The three emerging modalities are the network of independent authorities, law outside the framework of a State and private self-regulation.

The idea of basing global governance on a **network of independent authorities** builds on the development of this type of body at the national level. These institutions are dedicated to a specific mission and draw their legitimacy from their mandate, their effectiveness in the discharge of their duty and their ability to account for their actions. One of the main constraints of this model is the fact that it is not applicable to all areas of governance: many decisions cannot be reduced to the execution of a specific mandate. It also arises from the fact that the nature of the difficulties raised by international integration is constantly changing, as is clearly illustrated by the IMF example.

The second modality, defined by the authors of the report as **law without the State**, emphasises the capacity of jurisprudence to produce a set of norms using a narrow legal base. It is mainly inspired by the experience of the WTO's Dispute Settlement Body and substitutes globalisation law based on purely economic considerations for political decision. Its appeal is that it provides a structured solution to problems that international negotiation cannot resolve. Its drawback is that it only provides a partial solution and only superficially addresses the questions of legitimacy.

The third modality, namely **private self-regulation**, deserves a mention because it is often applied by default to sectors in which there is no public

regulation. It is also interesting because it suggests modalities for flexible normalisation (**soft law** in its various forms) which are beginning to provide the basis for public regulation. However this does not represent a structured alternative.

None of these models is wholly satisfactory and none is likely to prevail over the others. The system of global governance thus has to be viewed essentially as a hybrid structure.

Principles of hybrid governance

How can the coherence of hybrid governance be guaranteed? Jacques Pisani-Ferry and Tubiana suggest basing the priorities of collective international action on six principles.

1. Principle of specialisation.

Efficiency is not the only issue here. Unlike a State, where legitimacy is derived from the sovereignty of the people and is based on an overall mandate held by the executive, the specialisation of multilateral institutions is essential for their legitimacy as it enables to entrust them with a specific mandate and subsequently facilitates the monitoring by citizens. The principle of specialisation must be upheld even though it has been used as a pretext for attempts to weaken multilateral institutions. It must be combined with a periodic reassessment of the boundaries of the institutions, the definition of their mandate and the instruments with which they are provided.

The specialisation of multilateral institutions is vital for their legitimacy

2. Principle of political responsibility.

This principle is complementary to the first one. It relates in the first instance to the governance of multilateral institutions, namely the discharge by the States of their duty as shareholders: definition of missions, setting of priorities, choice of instruments, co-ordination between various institutions, *ex post* control. It also relates to the management of the whole structure. The purpose here is to define the priorities of international collective action: only a

political body (such as the current G7) is able to decide in a given context whether the emphasis should, for example, be on trade negotiations or on reform of the financial architecture.

3. Principle of equilibrium.

There is a major imbalance both in the institutional structure and in the respective weight of norms governing the various areas. The world order is based on the primacy of economic criteria, as it is in the States' interest to engage in mutual trade. This does not justify the fact that the economy continues to dominate through institutional hysteresis as new global preoccupations (environment, health, security) emerge; nor that it enjoys presumed pre-eminence in the event of disputes over norms, when the States have agreed to make room for other values than those of trade. The institutional framework therefore needs to be readjusted and a balance has to be established between the different types of standards. In this respect, the report analyses various solutions and finally recommends a procedural method involving the designation of specialised organisations as 'legitimate experts' whose opinion will be sought in the event of a conflict between different standards. Specifically, the WTO should seek the opinion of a World Environment Organisation that should be created in order to deal with environment-related issues.

4. Principle of transparency and democratisation.

Democratic aspirations now extend to all international decisions. This paradoxical quest for democratisation without democracy –as global democracy does not exist– may be resolved through transparency, debate and control. It implies the involvement of civil society, namely experts and NGOs. Provided that the latter themselves comply with the requirement for transparency, they have a role to play both in the preparation of the decision upstream –but not the decision itself– as well as the monitoring of the execution phase.

5. Principle of subsidiarity.

The multilateral structure is not always ideal. The quest for effective global governance should ▶

emphasise subsidiarity. This principle also applies in tactical terms: while in the final reckoning the multilateral level may be appropriate, the regional or plurilateral approach is sometimes the most effective in order to achieve collective progress, as it can build on some degree of similarity in terms of preferences and represents a useful area for experiments. Implementation of this principle also requires a bolstering of the multilateral framework in order to prevent regionalism from being regarded as an alternative to the multilateral approach.

6. Principle of solidarity. The rise in the number of global problems and the emergence of a civic consciousness require a reappraisal of the approach to solidarity. In the first instance this should aim to clarify the foundation of development aid. There should also be a definition of adequate funding for global public goods, without omitting the issue of international taxation.

Proposals for renewed governance

The purpose of the report was to present the problems rather than produce specific proposals. However four priorities emerge from the analysis.

1. Establish a legitimate political body for global governance that would replace the Group of Seven on the provision of overall supervision. This body should include the major developing countries. Various proposals have been made and a pragmatic solution could involve a combination of permanent and temporary members. The G7 would not disappear as a result of this development but would refocus on macro-economic and monetary issues for which it remains relevant.

2. Rebalance the institutional architecture: in the first instance a World Environment Organisation should be created in order to define common policy principles and draw together existing multilateral agreements on the environment; this would also involve providing the 'weak' organisations with means of jurisdiction similar to those of the ORD and the WTO.

3. Involve civil society by facilitating its access to information and developing the monitoring of multilateral organisations. Provided they themselves fulfil requirements for transparency, the NGOs should be allowed to express formal requests on the enforcement of international agreements and should also be able to formulate proposals and be represented in the procedures for the settlement of disputes.

4. Integrate poor countries through a development pact. This requires market opening by the industrialised nations, on an asymmetrical basis; greater emphasis on development requirements during trade negotiations, rather than on the interests of our own producers; involvement of the developing countries in governance, as well as a more ambitious and better structured development aid policy.

This action plan raises questions over the role and the means of communication of the European Union. In trade the EU is a major player. However it has difficulty in speaking with one voice on other issues such as the environment or international financial architecture.

This first reflects an intellectual weakness brought about by the inadequate level of economic debate in Europe. It also arises from the internal governance of the Union. Unification of its external representation would enable some progress to be made. While falling short of a G-3 arrangement, the unification of EU representations at the IMF, as presented by the French Treasury in its contribution to the report, represents a promising avenue. The environment, development aid and, in broader terms, global governance, also represent areas of immediate implementation. Absent a permanent solution, provisional mandates would provide a suitable conduit for collective action in these areas.

Comments

Christian de Boissieu is in agreement with the broad outlines of the Jacquet-Pisani-Tubiana report and supports many of its conclusions. He emphasises the need to adopt a dynamic vision of governance issues and to close

what he terms as the critical gap between the broad integration of production systems and the lesser integration of policies. He feels that this gap is a factor of financial instability in particular.

He supports the idea of specialising international organisations while emphasising the extent to which the IMF and the World Bank have become de-specialised, thereby creating greater competition between the institutions, to the detriment of efficiency. He also endorses the project for greater co-operation between institutions and recommends developing reciprocal conditionalities.

Regarding overall supervision, Christian de Boissieu also feels that the G7 has fulfilled its mission and recommends replacing it with a 'Gx'. He supports the creation of an environmental organisation despite some misgivings over the risk of institutional inflation.

Finally, he endorses the conclusion regarding Europe's weakness in world affairs and expresses his concern over this state of affairs, reflecting the failings of internal governance within the Union. He feels that this is clearly an area requiring urgent action.

Élie Cohen is far more critical. In his developed comments he fiercely challenges the stance adopted in the final report and goes on to submit his own analysis of global governance issues.

In Élie Cohen's view, Jacquet, Pisani-Ferry and Tubiana give too much credit to the critic of globalisation and have thus departed from the economist's approach. They make excessive concessions regarding key aspects of the analysis, achieving no benefit whatsoever. In his view their endeavours are no more effective than preaching licentiousness to a seminarist, their analysis smacks of capitulation to the anti-globalisation camp and their intellectual approach lacks direction.

Elie Cohen emphasises the broad agreement among economists regarding the merit of free trade and direct investment and also stresses that aggressive protectionism provides no more than a temporary boost to economic

take-off. He goes on to argue that financial liberalisation is a less desirable development and refutes the comparison frequently drawn between an openness policy and the 'Washington consensus' which has propagated a simplistic approach to development.

Regarding the objectives of trade negotiations, he recommends that inter-regulation, meaning inter-sector issues such as trade and labour, trade and the environment, etc, feature prominently in the negotiation programme. This requires to make a notion such as the principle of precaution. Furthermore this requires that the most recent North-South issue is fully taken into account and, regarding areas such as intellectual property or market access, that the concerns of the developing countries be taken more effectively into account than during the Uruguay Round.

Finally Élie Cohen discusses issues related to the architecture of global governance. Similarly to the authors of the report, he argues in favour of institutional re-balancing and the involvement of the major emerging countries in the system of governance. He does however depart from their view by stating that global governance can only rest on world regulatory bodies similar to the independent regulatory bodies found in many countries. These non-elected bodies are not governed by the constraints of the election cycle: they take political decisions and produce a legal framework, but their legitimacy is derived from the law underpinning their inception, the transparency of their procedures, the quality of their decisions and their capacity to account for the latter. Procedural ties should be established between them based on the principle of mandatory reciprocal consultation. This arbitration power should be broad-based, encompassing economic, environmental, cultural or social issues. NGOs could be involved for the purpose of consultation but not at the decision-making level.

Contributions

Some of the contributions included in the report provide an opinion or shed light in broad ▶

terms on issues related to global governance. Others provide detailed analysis of a specific issue. Finally, others provide additional insight.

The current situation

Thomas Boisson's contribution aims to provide an overview of the institutions of global governance. He focuses specifically on seven organisations: the IMF, the BIS, the World Bank, the WTO, the WHO, the UNPE and other environment-related organisations, and the ILO. In each case he provides a brief historical outline, presents the organisation's mission, its structure and mode of governance, analyses the change in its objectives and functions and provides details of the criticisms and suggested reforms regarding each institution. Lastly he examines several cases of inter-institutional co-operation.

Debates

In order to set out the problems of governance, Pascal Lamy and Zaki Laïdi start from an analysis of globalisation which they define as 'an overall social reality' extending beyond economic issues that produces a confrontation between the collective preferences of the various societies. Within this framework, they define global governance as the overall process whereby collective rules are defined, decided upon, legitimised, implemented and supervised. New procedures in addition to the rules of representative democracy thus emerge, emphasising consultation and contractual agreement and thereby requiring States to constantly negotiate their legitimacy.

In the view of Lamy and Laïdi, the quest for global governance represents Europe's primary collective choice. Europe is fundamentally a soft power, as it conveys a non-hegemonistic approach to international relations, based on rules and negotiation. In order to contribute to the reform of international institutions and to their strengthening, the European Union must however improve its own internal governance.

Jan Aart Scholte focuses on an analysis of the involvement of civil society in global governance,

which includes a broad cross-section of non-profit making organisations as well as specialised NGOs. There has been a spectacular rise in the number of players in civil society as a result of economic globalisation and progress in communication technology: the number of cross-border groups and associations has risen by a factor of ten over forty years and now stands at 17,000. To what extent are they legitimate? There is no ex ante answer to this question, as this requires case by case analysis on the basis of four criteria: the moral legitimacy of the stated goals, the effectiveness of the steps taken in pursuit of these objectives, the contribution made by civil society organisations to global representative democracy, and the results achieved in terms of social cohesion.

Given his view that the participation of civil society in global governance is a durable phenomenon, Scholte makes some pragmatic proposals in terms of organisation, primarily based on transparency and dialogue.

Christian Chavagneux adopts a different stance based on the roles of non-government players in global governance. Unlike Scholte, he does not focus on non profit-making organisations, but rather on those defending sector or individual interests, whether their authority is officially recognised or not and whether it is licit or not. In some instances, for example accounting standards, they have in fact been officially or *de facto* granted the right to regulate. In other instances, they have achieved sufficient power or influence to capture public regulators.

Chavagneux devotes part of his contribution to analysing what he terms through the deliberate use of an oxymoron as 'illicit authorities': globalisation of crime and Mafia-backed finance. In his view the dividing line between licit and illicit activity is too thin for these activities to be excluded from the analysis.

Patrick Allard devotes his contribution to analysing the viewpoint of a single but major player, namely the United States. In his view, this country's structural approach to global governance is based on the primacy

of security over economic, environmental and social issues, in order to preserve its freedom of action, implying that its attitude towards multilateralism remains ambivalent. The events of September 11 have further emphasised this primacy.

Allard views the predominance of strategic concerns as a handicap: he feels that the hiatus between unchallenged military supremacy and economic standardisation impedes American diplomatic efforts. The United States emphasise the Westphalia approach mainly for security reasons and find it difficult to adopt a clearly defined stance in the debate on new economic or environmental themes associated with globalisation.

Patrick Guillaumont and Sylviane Guillaumont-Jeanneney focus on the stance of the less developed countries (LDCs) that suffer both from low income and structural growth handicaps. Generally speaking these are small, poor countries that are economically excluded and thus highly dependent on international organisations. Despite the fact that most of them are members of the WTO or the IMF, they have very little involvement in global governance. Despite the recent European initiative 'Everything but arms', they are still confronted with protectionism on the part of the industrialised countries and despite the reduction of their debt load they still have very limited access to international funding.

Guillaumont and Guillaumont-Jeanneney note that despite their numerical weight the LDCs do not play a particularly active role in the United Nations or in the WTO and suffer from a lack of representation in the Bretton Woods institutions. They recommend greater LDC participation in the global governance system.

Principles

Jean Tirole's contribution emphasises the foundation of the governance of international institutions: he seeks to establish whether their specialisation is desirable and whether they should be subjected to political control. Regarding the first point, he provides an unequivocal answer. The agency theory clearly establishes that the benefits of

specialisation are greater than the costs. Each international institution is thus entrusted with the task of dealing with an identified market failure.

In order to address the issue of political responsibility, Tirole goes back to the analysis of democracy. In his view democracy encounters major difficulties in dealing with complex issues where voters are ill informed and are confronted with high information costs. This is true of global governance issues, leading him to recommend independent status for institutions such as the IMF.

Charles Wyplosz takes particular interest in the issue of international redistribution. He reassesses the widely accepted view that globalisation generates efficiency gains but produces winners and losers. However the latter only receive compensation at the national level, which raises the issue of international redistribution.

According to Wyplosz, demand for international redistribution can only be satisfied through a taxation vehicle. However the political institutions required to confer legitimacy upon the use of taxation have not yet been established.

Marie-Anne Frison-Roche adopts a lawyer's approach to the issue of global governance. She views the law as a potential tool for establishing an equitable order –in the sense that it produces a balance of power– and removing the obstacles that international negotiations have failed to overcome because of the lack of political will. A legal system does not necessarily imply a hierarchical organisation and may allow for a non-hierarchical diversity of sources, without necessarily identifying the guardian of the guardians.

Specifically, Frison-Roche recommends a pragmatic approach in order to improve global governance, which requires:

- encouraging the international institutions to take each other into consideration;
- encouraging these institutions to adopt a shared, non-binding approach (soft law) in order to promote the coherence of their decisions;

- the mutual establishment of horizontal procedures for the purpose of providing consultation and opinions.

Bernard Grelon also adopts a lawyer's approach to the issue of the hierarchy of standards. First of all he analyses the practice of the WTO Dispute Settlement Body regarding conflicts between the rules of world trade and other, more universal rules, such as those related to the environment. He concludes that the Dispute Settlement Body feels equipped to integrate the standards arising from other rules of international law and to assess their compatibility with those of the WTO. This in itself represents a statement of the pre-eminence of the standards of international trade.

Grelon goes on to analyse likely developments if, in the event of a potential conflict of standards, the Arbitration Panel were compelled to seek the opinion of another organisation. He expresses some reservations regarding this solution, as the WTO would still have its say both before and after this approach and could use it in order to reaffirm its pre-eminence at the expense of other institutions.

Laurence Tubiana and **Jean-Michel Severino** show how the concept of global public goods such as peace, environment, knowledge, nuclear accidents has made it possible to relaunch the reflection on international cooperation.

They recall that when markets are not providing a sufficient supply of those goods there is a whole set of solutions to market failure: incentives through taxation, creation of property rights, or international regulation.

Tubiana and Severino emphasise the role, in any case essential, of the conditions and processes of international negotiations, and particularly the importance of the actors, of expertise and of equity.

Monetary and financial issues

Michel Aglietta seeks to establish the reasons for the lack of results produced by the debate on the

reform of the international financial system in 1998-1999. In his view this reflects major divergence over the role of international money. The prevalent view, reflecting the principle of the neutrality of money, seriously underestimates the problems of collective action. It thus remains constrained to an approach emphasising adjustment within the countries affected by a crisis and does not seek to remedy the inherent contagion problems arising from financial globalisation.

In Aglietta's view, the issue of the lender of last resort conveys the difficulty of collective action. This is the issue that should be addressed in the first instance through clarification of the division of labour between the IMF which handles specific crises affecting States, and central banks entrusted with maintaining global liquidity. There also has to be a shift from institutional regulation (as illustrated by banking supervision) to regulation on a functional basis.

The French Treasury's contribution focuses on the governance of the IMF. After providing a detailed account of the current situation, it retraces the debate of recent years between the advocates of a refocusing of the IMF on its 'core business' which could lead to its transformation into an independent agency and those including the French Government who argue in favour of greater emphasis on political control. The contribution also provides an initial appraisal of the reforms of 1999-2000. While it remains prudent on the impact of the establishment of the International Monetary and Financial Committee, it is more positive on the progress regarding transparency.

The French Treasury's contribution also examines the issue of voting rights on the Fund's Board and its membership. It expresses reservations regarding the proposed reforms of the calculation of quotas currently under discussion and outlines the phases that could lead to a unified representation of the euro zone on the Board of the IMF.

Trade and investment

Jérôme Sgard assesses the extent of international integration on the basis of a significant example, namely the right of property. There is a major issue at stake as the growth of direct investment, manufacturing under licence or financing through the issuance of securities all raise the question of the definition of this right. However controversy over the settlement of crises in Asia or disputes over the sharing of the burden during financial crises illustrate that there has not been a satisfactory remedy to the problem.

Sgard analyses the situation in Europe in order to establish whether it provides a guide to the appropriate course of action. He shows that despite the Single Market, the problems have not really been resolved: the slow progress on the project for a single corporate status in Europe, conflict over the Mergers Directive and the lack of a harmonised procedure for settling bankruptcies all indicate that the exact definition of the rights of property is mainly provided by the national level.

François Benaroya devotes his contribution to what was until recently a controversial subject: the compatibility between global governance and regional co-operation. After a reminder of the progress of regionalism, he emphasises that regional co-operation is frequently effective and in many cases represents an alternative to the lack of structured governance. This is true of the management of interdependency as well as that of specific international public goods. Furthermore, regionalism may be used for the purposes of education or experiments.

The risks of regionalism remain significant: it may prove damaging to countries which are excluded from it and undermine global co-operation. According to Benaroya, it is therefore necessary to establish a mutual strengthening of global and regional governance. This implies

defining the terms with which regional alliances must comply and requires them to be transparent and associated with global governance.

Environment

The contribution of **Dominique Bureau**, **Marie-Claire Daveu** and **Sylviane Gastaldo** provides an overview of environment-related global governance issues. After a summary of the challenges, they give a critical review of the numerous multilateral agreements on the environment that have proliferated in an uncoordinated, anarchic manner and are not underpinned by monitoring systems in order to enforce the commitments. Against this backdrop, they recommend the establishment of a World Environment Organisation in order to establish greater consistency.

Bureau, Daveu and Gastaldo go on to analyse the links between trade and governance issues. They expect a growing number of disputes involving trade and the environment and consider an alternative solution in order to deal with this, namely the incorporation of environmental concerns into the WTO or co-operation between the institutions. The former appears inappropriate and impractical, and they opt for the latter.

Finally, **Marie-Laure Mchanetzki** provides a detailed analysis of the legal basis for taking into account environmental issues in the settlement of trade disputes and the standard practice of the DSB in this area. She feels that it has sought to take into account environmental concerns and has shown discernment in applying the principle of precaution. However she also shows that current legislation does not provide a satisfactory link between trade and environmental issues and this also applies to the incorporation of MAEs into the corpus of the WTO agreement. She therefore argues in favour of the establishment of a link between the MAEs and international trade law. ■

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