

THE ROLE OF INTERNATIONAL ORGANIZATIONS IN THE GLOBAL ECONOMIC GOVERNANCE – AN ASSESSMENT

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Abstract

The challenge of international organizations and their role in the global economy remains in the midst of global economic governance approach, although it seemed utopian at first and regarded as too ambitious in redefining the international system. This paper aims to underline and reassess the role of international organizations in the new paradigm of global economic governance. The approach is a more theoretical one, with emphasis on results and future research. The key results are related to some aspects of redefining the global economic governance in terms of international organizations. The main added value is the pragmatic approach of the role of international organizations and its formal relationship with the global economic governance.

Keywords – international organizations, legitimacy, paradigm, global economic governance

INTRODUCTION

Over the last two decades, the international community has increasingly become so interconnected and interdependent due to the rapid progress in technology and the development of economic integration processes.

The recent economic crisis has revealed the weaknesses and shortages of cooperation in the global economy and only the diplomatic consensus has led to the adoption of urgent solutions. But as the global economy seems to be out of recession, at least in certain parts of the world, states have begun to focus on fiscal and social policies in order to overcome the continuing effects of the crisis, and the desire to improve cooperation relationships and global economic governance seems to be in decline.

The international community has paid a very high price for satisfying itself with the financial and macroeconomic risks as advertised, but the economic risks seem to multiply every day waiting for proactive answers. But how can global governance be redesigned in terms of architecture without taking into account the critical role of international organizations? When states were dominant actors on the international stage and major policy decisions were taken by only a few of them, the progresses in international cooperation tended to be quantified through creating new institutions and intergovernmental organizations.

But the current problems show that efforts to strengthen international cooperation should focus on creating new institutions and international rules, to modernizing the existing for a greater integration of governmental framework in policy decisions.

The article tries to highlight the main elements that define the current role of international organizations in global economic governance, the change of paradigm and the concept of legitimacy in international relations.

The second part of this article presents some elements of defining the international organizations, a brief history of the modern economic system, the paradigmatic role of international organizations in the current global economic governance and addressing the concept of legitimacy in the actual configuration of international relations.

The third part of this article attempts to highlight some elements that draw new paradigm of global economic governance, with subjects as multilateral agreements, voting system or leadership, as well as some international proposals to emphasize the awareness of economic system to current challenges and opportunities.

INTERNATIONAL ORGANIZATIONS – GENERAL VIEW

International organizations are important actors in the critical episodes of international politics, with power in mediation, dispute resolution, peace keeping, applying sanctions and others. They also help in managing various key areas of international concern, from global health policy to the monetary policies around the world (Abbott and Snidal, 1998).

An international organizations can be defined as ‘an institutional agreement between members of an international system in order to achieve objectives according to systemic conditions, reflecting attributes, aspirations and concerns of its members’ (Hanrieder, 1966). And what gives the basic rule of them is the sovereignty of the nation-state (Barkin and Cronin, 2009).

In terms of the concept of global governance promoted by the international organizations, this was originally based on raw power, but has evolved to legitimacy and customs (Keohane and Nye, 2001).

Brief History of the System

Modern international system has three main architectural features, built in overlapping phases over time. The first stage concerns the definition of the state as a primary tool of decision in international relations. The Treaty of Westphalia in 1648 established peace in Europe after decades of conflicts and bloody wars. Then it was set up the basis of global dialogue based on national sovereignty, each territory seeking political solutions to their religious problems. But the nation-state was consolidated as an expression of sovereignty in the 19th century and defined as an important actor in global policy-making process that took place in the 20th century.

The second stage refers to the agreements between states. This development is associated with the Congress of Vienna in 1815, where European powers negotiated the end of two decades of war and redrawn the political map of the continent. The agreements signed during Cold War and even today, are considered to be projections of diplomatic consensus that stabilized Europe in the 19th century.

The third stage consists of the architecture of multilateral system, having in its core the United Nations. Built largely in the period after the Second World War, it has antecedents in the postwar period by creating the League of Nations and the International Labor Organization. Conferences at Bretton Woods, Dumbarton Oaks or San Francisco developed plans for building a wide range of universal rules and specialized institutions in order to promote international cooperation in economic, political and security areas.

These three main elements of the system will remain important pillars of international relations for a long period of time. But many scholars consider them to be exceeded in the whole series of economic, political, technological and social changes, which often led to debates on the legitimacy and efficiency in decision making process at international level.

During the last six decades, international organizations have extended and reviewing their mandates and objectives, reaching the global level through the number of members, thus being among the favorite subjects of criticism for accelerating the globalization, failure of their missions or superficial supervision and liberalization of international trade by providing the framework for the negotiations and formalizing trade agreements (Zohal, 2011).

After the Cold War, the institutions of global economic governance have become the favorite subject of criticism. While globalizations and systemic risk awareness led to the need for global governance, the form it took it is no longer adequate to the current challenges, which goes to an increasing sentiment of dissatisfaction about the multilateral order, and then to the crisis of multilateralism. The favorable global institutions do not work either individually or collectively (McGrew, 2011).

Paradigmatic Role of International Organizations

But why states use international organizations as engines for cooperation? Some issues are raised by their structure and operations, and also by international relations theories involving these complex phenomena. The independence of these organizations depends on states, because they can limit or extend their autonomy, interfering in their activity, restructure or dissolve them. They sometimes collide with the sovereignty of the state when they create new structures for regulating cross-border relationships.

One of the main reasons why states want to establish or participate as members of international organizations is related to the fact that they delegate authority in matters that require expertise, knowledge, information, time and resources that are not available at all times (Wouters and de Man, 2009).

As we know them today, international organizations can be a complement to national prevailing paradigm, being an expression of denationalization policies (Zürn, 2004). And this is an evident fact by supranational and transnational characteristics of undermining national decisions, using the principle of international cooperation. But the politicization of these decisions brings again into question their need for legitimacy.

Two very important features make the difference between international organizations and other type of organizations: centralizations of power and decision-making autonomy. Both have political effects beyond the simple effectiveness of the already taken decisions, because they resemble so much with governments or private companies. International organizations carry out actions that enjoy a sort of legitimacy and affect the legitimacy of the state activity. Even centralization may alter the perceptions of the states in the context of complex interactions between them (Ostrom, 1990).

The centralization outlines the political context of interactions between states. International organizations provide forums for neutral, depoliticized and specific discussions in a much more effective way than any other agreements. They outline the specific terms of the ongoing interactions between states and try balancing the relationships between stronger and weaker states, between interests and knowledge.

The organizational structure influences the evolution of interstate cooperation and adapts itself to specific circumstances. Most organizations perform functions to support cooperation between conferences dealing with very important issues, as well as implementing a set of regulations (Williamson, 1985). International standards can be addressed as expectations of head of states about international relations.

The Legitimacy of International Organizations

Legitimacy, as concept, was an integral part of political thought for a long time, but only recently has come to the attention of specialists in international relations (Mulligan, 2006). International specialty literature addresses legitimacy as being related to certain criteria that confer continuity and trust.

Some well-known researchers say that international organizations seek to establish solid connections between their activities and social values system to which they belong, this links representing their legitimacy (Dowling and Pfeffer, 1975, Buchanan and Keohane, 2006). Others say that legitimacy lies in the means by which to achieve the specific goal (Lawrence, 2008). What is clear is the fact that most researchers have concluded upon the legitimacy problems that international organizations face as threatening the global economic balance, along with other crucial elements (Clark, 2003). When concerns about legitimacy decrease, the system itself is flawed and solutions must be found really quickly.

International organizations participate as independent and neutral actors on the global stage and can transform the relationships between states, increasing the efficiency and legitimacy of their individual or collective decisions. This feature requires the short or long term balanced actions depending on the interest of both sides: powerful states will not join any organization they cannot influence and small countries will not join any organization whose decisions undermine their sovereignty (Bradford and Linn, 2007).

Authoritarian states are reluctant to allow international organizations in taking decisions for them, decisions that interfere with their national policies. And with the ones which are undemocratic and unstable and tend to limit the presence of organizations within their territory, states can even be against their participation in global economic governance. Global governance is strengthened only if it fits the internal profile of dominant countries (Cowhey, 1993).

The main attributes of international organizations continue to be in the first line for facilitating negotiations and implementing agreements, dispute resolution, offering technical assistance and developing rules. But the most important thing remains their neutrality, impartiality and independence (Griffin, 2003). Neutrality enables organizations to act as mediators between states and to implement their decisions. Impartiality resides on the fact that neither part is favored whatever the subject is. And independence resides on the fact that international organizations can take decisions for themselves.

It is undeniable that international organizations can take decisions that bind on member states through predictable mechanism and pursuing their interests (Wouters and de Man, 2009).

Decision-making processes vary between consensus, vote and unanimous vote. The most common form of decision-making is consensus, involving further discussions to reach general agreement rather than forcing the decision by voting process. While the member states have certain reservations about the discussions or negotiations, they are

forced to make concessions to each other in order to reach an agreement. If consensus cannot be reached, the last resort is unanimous voting or qualified majority voting.

There is a gap between demand, responsibility and jurisdiction of global governance and its institutional capacity to take decisions and implement effective solutions for global problems. This is associated with diminishing expectations that global institutions seem to reach and political demands are addressed, in part because of the lack of resources and because governments cannot deliver properly their institutional capacity (Moravcsik, 2004, Bradford and Linn, 2007).

Most global institutions are unable to take a firm decision and hence the exiting pressing problems, as climate change or financial system reform, that face failure in advancing collective actions. These systemic failures lead to widening the disparities between promised collective actions and what really comes, being clear the limited progress of submission of the Millennium Development Goals.

These deficiencies in the legitimacy and effectiveness exacerbate each other. The countries feel more and more disconnected from international institutions, greater being the tendency to invest in institutions to be successful. The international system needs structural renovation to allow adapting to a global community that is different from the last century existing one.

This problem of legitimacy reveals the question whether legislation as a whole may be able to solve the fundamental dilemma of global capitalism (Tshuma, 2000). And the crises of legitimacy can be solved only through reconciliation and communication (Reus-Smith, 2007). Research must continue in defining efficiently the concept of legitimacy and how this can be relevant in terms of its implications (Mulligan, 2006).

CRITICIZING INTERNATIONAL ORGANIZATIONS

Most of the current discussions about international organizations refer to the legitimacy and effectiveness of the decisions (Ziegler and Bonzon, 2007). The problem of legitimacy is directly related to the influence of the international organizations and often to state sovereignty. The principle of consensual decision-making is the main subject of critics, being argued that they shall be made only at formal level and must reflect the power relations between states, taking the form of a weighted voting under major interests. Informal practices that lead to decision involve the emergence of some specific groups with some sort of composition, who deliberately exclude other countries (Kim, 2009).

The principle of consensus practiced within the international organization has always meant that all parties have to agree upon a specific issue, but in practice this voting system can be hidden; reality proves that the voting share of wealthier countries is more important than of poorer countries (Low, 2011).

For historical reasons, many being highly criticized by the developing world, the system is tilted in favor of the rich and powerful countries. For example, whenever developing countries have the chance to gain from free trade, they have confronted quotas or voluntary export restrictions, dumping, safeguards or other forms of limitations. Moreover, instead focus on enhancing consumer welfare, the trading system strongly supports manufacturers or exporters, leading to protectionism. Much of the criticism results from the perception that trade was raised to a very high rank, while other values were slaughtered (Guzman, 2004).

Despite differences of perspectives, critics and supporters agree that international cooperation is needed to tackle with trade and non-trade issues, such as the environmental problems, intellectual property, investments, health, international finances, modern industrialization, crises and so on.

The isolationist approach of most of the international organizations ignores the wishes of member countries, conclude with building different kind of agreements in their detriment, this resulting in rules and norms that rule out concern and wishes to correct the failures of environmental or social issues. We cannot speak about coordination as long as rules always prevail over other agreements and hold the monopoly on international cooperation (Pauwelyn, 2005).

Many countries feel excluded or left behind by the decisions of the international organizations and for the most of the poor countries, participation in the international system remains a distant dream. For example, the international trade system is perceived as a fortress, all the discussions being held behind closed doors and favoring the powerful producers and exporters. The international organizations are seen as closed systems and those who are within those are bounded to their commitments taken in “packages”, with no way out or a way to comment upon them, because of the economic reality or simply because of an implementation mechanism more and more strict. And this results in the lack of legitimacy, poor support and a lack of loyalty to the values that underline the system itself (Sutherland and all, 2004).

Most of the critics relate easily to the existing democratic deficit within the international organizations (Elsig, 2007). Unlike the early period of their existence, the lack of legitimacy of these organizations is no longer offset by progress towards globalization. Cooperation in an anarchic era seemed easier than nowadays, in an environment governed by rules and procedures. Increased political participation and the insistence of the members to veto decisions becomes suffocating in further liberalization and increased welfare, but also in preventing the adoption of the reforms needed to balance the system and being in favor of developing countries.

The international organizations have changed the nature, purpose and structure of the multilateralism and globalization. They have become the main target of the lobby groups and civil society, fact which led to excessive politicization (Mercurio, 2007). Critics say that the big number of members do not easily allow the organization to reach a consensus or to effectively address the burning issues of the 21st century, this leading to blockages and disagreements during negotiations (Sun, 2011).

THE NEW PARADIGM OF GLOBAL ECONOMIC GOVERNANCE

The recent problems that international system have been faced led to the need in addressing the dilemma related to international agreements and institutions, whether they are viable and meet the needs of the 21st century (Stiglitz, 1999).

Researchers say that we have been facing a real paradox in the approach to this new paradigm of global economic governance: the more seriously we take the concept of global economic governance, the more all its substance runs away and begins to contradict the general knowledge (Smouts, 2002). We live a moment of reaffirmation of a known and long analyzed issue: international organizations face the tensions between different point of views about what rules, norms and procedures seem to be fair in the context of global decision-making process (Franceschet, 2002).

Strengthening the international cooperation and governance is not about just institutional arrangements and incentives. The focus is also on values. The international system must be redefined not only in terms of institutional architecture, but also in terms of social architecture, social institutions having the potential to inspire consistent values for an increasingly independent society.

The voting system and the leadership of key institutions must be adapted appropriately with the increase of emerging powers. The world population is getting more informed about international challenges, and it becomes even more aware about the fact that the most important priorities are translated into immediate actions.

In the same time, the proliferation of influential actors has complicated efforts in achieving a multilateral agreement even in areas already discussed about, leading to the conclusion that interdependence has not only led to increasing political challenges, but also in delivering effective international cooperation. In particular, the structural deficiencies of these actors have revealed also limitations in transparency and consistency of decision-making process.

Every architectural innovation starts from some basic principles in order to be ensured as the fundamental interests of maintaining the system. Fortunately, the proposals for reform of global economic governance remain valid and do not require major changes.

Global Economic Forum provided public reports that list some proposals on redefining global economic governance to the current challenges of the global economy that are worthy to be taken into account (WEF, 2010): redefining the international system according to the multiple faces of governmental cooperation; strengthening the role of states as basis in decision-making process, while the geometry of cooperation itself takes into account the nongovernmental organizations; the implementation of this geometry in a pragmatic way, result oriented, for accelerating the progress of individual and global challenges; specific initiatives to enhance legitimacy, participations and responsibility of the state centered system; extending the international cooperation through value exchange, with profound implications on global objectives.

The renovation of the international system in the ways proposed above would allow the international community to accelerate progress in individual and global challenges. By increasing the interaction between international organizations and civil society (Schwab, 2008), personal and professional responsibility is going to grow in the international system, being one of the key elements of strengthening the international cooperation.

CONCLUSION

Changes and challenges in the current global economic governance are extremely diverse and they rapidly change on the international arena. The challenge of international organizations and their role in the global economy remains in the midst of global economic governance approach, although it seemed utopian at first and regarded as too ambitious in redefining the international system.

A fundamental reorganization of the international system was not fair and everyone looks blown if this change will be unnoticed or will cause geopolitical pressures. In terms of prior work, it has been previously tried to emphasizing the concepts already by known researchers in the field. The approach is a more theoretical one, with emphasis on results and future research.

The key results are related to some aspects of redefining the global economic governance in terms of international organizations. The implications are varied in terms of studying the concepts and address researchers in the field.

The main added value is the pragmatic approach of the role of international organizations and its formal relationship with the global economic governance.

ACKNOWLEDGMENT

I would like to thank to Prof. Gabriela Drăgan, Ph.D. for all her support and precious advice in writing this research. The professionalism and thoroughness she proves in analyzing each scientific research leads to performance and quality, highly appreciated in academic world, and I am really grateful that she guides me.

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