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Happy to be here and to have an opportunity to share with you a few ideas about how we can improve global governance. As many of you know this is a topic dear to me. Events in these last months, however, have reinforced this need with a sense of urgency. Even if governance will remain mostly local, within the nation-states, because of legitimacy, global issues stemming from our increasing interdependence need to be tackled more efficiently to ensure world peace and stability.

What I will try to do tonight is suggest a few signposts on the path to global governance.

I will start with a broad description of governance in today's world;

I will then focus on the field I know best: global economic governance;

and conclude with a few remarks about the financial turbulence we are experiencing today.

Global governance in today's world

Governance, like mass, has three states: solid, gas and liquid.

The solid one corresponds to the governance of the nation state: a political space of regulation, solidarity, coherence, accountability, legitimacy, binding dispute settlement.

The gaseous state of governance is the international system which, since the peace of Westphalia in 1648, is based on the sovereignty of the nation state. Nations only enter into binding international obligations if they decide to do so. It is a system where molecules interact with one another in a random manner. True, the nation states accept some limitations to their sovereignty by virtue of the international treaties founding international organisations, but these remain essentially member driven. Furthermore, nation states essentially keep the monopoly of coherence between the various commitments they have entered into.

The third state of global governance is that of liquid: in between solid and gas. It corresponds to regional integration systems, the most sophisticated of which is the EU with supranational governance where EU members have seriously constrained their sovereignty. Other processes are under way in Latin America, Africa and Asia. EU still remains the most advanced: regulation, binding dispute settlement, fiscal redistribution. But still, a huge legitimacy challenge remains. Institutions and common policies are not sufficient to create a legitimate political space outside the nation State as evidenced by the debates on the "European Constitution".

To put it simply, global governance is about moving from gas towards a more solid state! What's the difference? Not so much with the institutions - the instruments - but rather with the underlying sense of forming a "community" with common interests that have to be articulated with specific interests. Kant versus Hobbes. Venus versus Mars as Robert Kagan put it a few years ago. Acceptance of this process implies the recognition that the Westphalian order is outdated and that a lot of political energy is necessary to break free from its attraction.

Economic Global governance: finance, environment and trade

Let me now focus on issues of global governance in the economic sphere to see whether and how we can move from a gaseous to a more organised system.

I will be focusing on three domains which are challenging us today: finance, trade and the environment. In these three areas, global governance is mostly about global regulations.



In my view the path to more global governance requires four elements:

- a collective political will to go global
- a consensus on the concept / the agenda of how to regulate globally
- a place to negotiate binding commitments, and to administrate and enforce them
- a capacity to compromise, which means bringing on board domestic constituencies.

In the area of finance, if we look at the present financial crisis, it is only fair to say that part of the origin lies in inadequate US regulations, together with weak global rules.

In this field, the problem starts with the absence of the first element: no collective political will to go global because of the division between proponents of traditional regulation and proponent of self-regulation. A fortiori, no consensus of how to get there. To be fair, there is the embryo of regulation stemming from the Bank for International Settlements in Basel, where Central Banks and banking supervisors devise standards in a club-like manner; but it remains fairly obscure and outside the authority / legitimacy of the nation state entering into obligations.

In the area of climate change, however, I see the main challenge in the fourth element. The collective political will to go global is there. The need to reduce CO² emissions is the common concept. The place to negotiate is clear (UNFCCC). However, the difficulty resides in the compromise needed to share the burden of emission reduction. A compromise is needed between CO² emissions per head of 20 tons in some developed countries and 1 ton in some developing countries.

Trade provides a good example of a long-standing multilateral system of rules. This collective will originated in the disastrous domino effect of protectionist actions in the 1930's. Broad consensus that gradual and negotiated trade opening is a win-win game. A place to negotiate, monitor and enforce the rules including a binding Dispute Settlement Mechanism with no precedent in the international system. A capacity to compromise evidenced by 60 years of multilateral trade rounds encompassing more and more aspects of international trade and now binding 153 members (7 times the original club of 20+) with 30 waiting in the line for accession.

True, this necessitates not only macro compromises but also those at micro level which domestic constituencies may resist, as evidenced by the difficulties we encounter in concluding the Doha Round. But, as they say in my native Normandy "quand je me regarde, je me désole, quand je me compare, je me console".

Concluding remarks

You will probably have guessed that I belong to the school which believes that we need more global regulation in finance. But getting there will not be easy and the difficulty of each the four elements that I have outlined should not be underestimated.

In the meantime, we should make sure that the existing multilateral system, including the WTO should be consolidated and not weakened, hence the urgency of concluding the Doha Round in the present macro economic environment, thus strengthening the collective insurance policy against protectionism that it represents.

As evidenced in recent years in the WTO, we will not be able to build more global governance, including in finance, without the participation of emerging countries in the negotiation. The only way to make sure that emerging economies feel a shared responsibility is to acknowledge the new geo-political balance.

A question arises whether these issues should be tackled one by one or with some sort of grand bargain. My sense is that there is a grand bargain in front of us including finance (and the distribution of power in the Bretton Woods or any other new institution), reform of the UN Security council, and a post Kyoto deal, assuming what remains to be done on the Doha Round to complete the 80% of the package that is already on the table is done quickly, which should be doable.