

## The Creation of Institutional Prerequisites for a System of Global Governance<sup>\*</sup>

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**ABSTRACT.** The article describes theoretical approaches to interpreting the concept of «global governance», analyses the main functions of the global governance system and its probable versatility, as worked out by the Commission on Global Governance, as well as the scenarios of global development suggested by the Lisbon Group; the authors have made a study of the main types of institutional interaction between heterogeneous entities of the global institutional system on the basis of the ideas belonging to the German and American schools of thought; the authors' view of the general outline of a theoretical model of institutionalisation peculiar for the global economic development and its key players has been suggested.

**KEY WORDS.** Globalisation, global governance, scenarios of global development, institutions of global governance, types of institutional interaction, theoretical models of institutionalisation peculiar for the global economic development, informal centres of power, cross-border networks, integration associations, global infrastructure.

### Introduction

An urgent need for modifying the existing governance concepts and models for the development of globalisation processes which go back to the Westphal System (1648)) is caused by fundamental transformations in the world economy of the last quarter of the 20-th — the beginning of the 21-st centuries. It is connected, first of all, with the development of the fourth wave of globalisation (from 1980 to the present)<sup>1</sup>, which along with its apparent positive consequences (increased independence and mutual influence of countries on the basis of the

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<sup>1</sup> According to the World Bank classification there are four waves of globalisation: the first (1817—1914), the second (1945—1945), the third (1945—1980) and the fourth (from 1980 to the present).

international division of labour, the growing role of information and communication technologies in the development of international economic relations, the introduction of technological innovations into people's everyday life, the increase in the amount of transportation of passengers as well as goods and cargoes), has brought about a number of social and economic contradictions on the interstate and supranational levels (the contrast between «the golden billion» and the rest of the world, social polarisation, the accumulation of capital in major financial centres, the growing technological gap between countries, etc.).

The process of erosion of state sovereignty accompanied by the growing importance of integration associations and international organisations, strengthening of economic and technological potential of cross-border networks along with emerging problems of controlling their operation, delegation of some managerial powers of national states to regional and world institutions are evidence of the fact that the organisational and regulatory potential embedded in the Westphal state-centred world order model is outdated and there is a need of creating an institutional basis which would correspond to the global economic system.

In the last fifteen years, taking into account world tendencies to universality, standardisation and at the same time diversification of management tools used by players of the global economic system for strengthening international relations, various schools of thought, international governmental and non-governmental organisations make attempts to get involved in the process of creating viable concepts and scenarios of the world future economic development.

In numerous analytical papers of both national and foreign researches devoted to studying globalisation processes, interstate institutional interaction, international management, coordination of actions at the international level a number of new categories and concepts are used. Some of them are: «the global government», global governance without a global government», «global integration», «world elite», the «Triad», «international organisations of the global type», «networked entities», «the global civil society», « the virtual government», etc. In spite of a great variety of definitions of global institutions they must all be involved in functions aimed at working out scenarios for the development of future world governance, achieving equilibrium between national economic interests, the creation of a reliable supranational mechanism for regulating world economic ties between the participants of international economic relations.

In the author's opinion, the key factor of the effective functioning of the contemporary world economic institutional system should be the creation of a multi-level global governance system as a universal mechanism for solving complex economic, financial and social problems in international relations.

### Theoretical approaches to interpreting the essence and contents of the concept of «global governance»

The concept of «global governance» was introduced into general usage by V. Brandt and his colleagues from the Commission on Global Governance (CGG), which was founded in 1992 with the assistance of the UNO and consisted of twenty-eight individual representatives of different countries of the world. The main aim of founding this international institution was unearthing and analysing the motive forces of the global economy, assessing and forecasting the development of global processes, modelling the world order structure which corresponds to the contemporary global processes, preparing recommendations concerning the improvement of the world order<sup>2</sup>.

Governance, in its broad meaning, is defined as controlling an object of management by official and non-official social and political entities, by force of their having certain powers<sup>3</sup>, purposive activity concerned with controlling certain processes with the aim of achieving the goals set and which is within certain institutional framework; the function of an organisational system<sup>4</sup> which maintains its own organisational structure and provides its usual activity. On the whole, as regards the term global governance in scientific circles one can come across analogous words having similar contents, in particular, influence (sporadic or continuous attempts of purposeful adjustment of certain aspects of an object), streamlining (a form partial transformation of certain aspects of an object on the basis of bilateral or multilateral ties), control (using the resources of one or several participants for preventing the chaotic development of local or global processes) and regulation (rearranging certain ties or relations on the basis of making an object follow certain rules and norms)<sup>5</sup>. Foreign researchers associate the concept of «global governance» with the process of regulation at an international level, interstate coordination of political actions, exercising certain powers by international institutions and managing the financial flow in the global economic environment<sup>6</sup>.

The origin of this term is connected with the realistic and the institutional theoretical approaches to its formation, which have been a subject of lively discussions in western scientific circles in the last fifteen years. For the realists represented by P. Aron, R. Gilpin, J. Ikenburry, K. Woltz, M. Singer

<sup>2</sup> *Globalistika: Entsiklopediya* [Global Studies: An Encyclopedia / Ch.ed. I.I. Mazur, A. N. Chumakov: Center for Scientific and Applied program "Dialogue". - M.: "Rainbow" publishing, 2003. - p. 449

<sup>3</sup> *Sovremenniy tolkoviy slovar* [Modern dictionary <http://www.rus.freecopy.ru/search.php?text=%F3%EF%F0%E0%E2%EB%E5%ED%E8%E5>]

<sup>4</sup> *Turisticheskij terminologicheskij slovar* [Tourist terminology dictionary] 1999 <http://www.slovarnik.ru/html-turist/u/upravlenie.html>

<sup>5</sup> *Teoriya prinyatiya gosudarstvennykh resheniy* [Soloviev A.I. Theory of state decision-making process / Global governance. Textbook. Manual / A.I.Soloveva. - Moscow: Infra, 2007. - p.226, p.17]

<sup>6</sup> Commission on Global Governance, *Our Global Neighborhood*. New York: Oxford University Press, 1995, p. 2.;

and others, the main idea is understanding governance as a compulsory mechanism of achieving order on an international scale through official and unofficial norms, which is determined by the interrelation between the potentials of its key participants — countries.

After the collapse of the bipolar system of the world order, which was based on the opposition of two centres of power — the USA and the USSR, the ideas of «realists» suffered severe criticism because of their lack of viability, instead the institutional approach, represented by J. Ikenburry, M. Levy, A. Keohane, J. Ruggie, M. Haas, O. Young<sup>7</sup>, has become more popular. This approach suggests connecting the concept of the global governance with the idea of regimes — rules and norms which regulate the behaviour of individuals. The effectiveness of management processes was linked with the positive attitude of the participants of international relations to certain regimes as well as with flexible decision — making mechanisms which they imply<sup>8</sup>. According to this approach it is institutions that can provide a balance of power between states, since they have the essential universal levers, enabling them to avert international conflicts, to prevent their arising, and also avoid situations of concentrating decision-making powers in one centre.

The concept of «global governance» is mostly the result of research of western schools of thought and, when translated from English into Ukrainian, it is usually interpreted as «global management» and «global regulation». In the first variant management is associated with ideology, as provided from a single-polar centre with a certain governing body or individual. In the second variant regulation is regarded as a certain aspect (function) of a management process, i.e. regulation of certain spheres of activity (economic, financial, social and others) by common efforts of governing entities<sup>9</sup>. The latter definition is supported by the Russian researcher O. Solovyov, who emphasises the fact that the management (or the authorities) is able to reveal itself not only on the international scale as a whole, but also in relation to areas (zones, fields, plots of land and segments) where there exist various possibilities for conscious regulation by people of certain cross border processes<sup>10</sup>. In Russian and Ukrainian science the concept of ‘global regulation» has a broader use than the term «global governance», it has come into general use in the meaning of regulating international processes irrespective of how many «centres of power» exist in today’s world, i.e. taking strategic decisions by common efforts of the whole community.

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<sup>7</sup> *Temnikov D. M. Problemy mirovogo regulirovaniya v sovremennoy zarubezhnoy politologii* [The problems of global governance in the contemporary foreign politics. / “International Processes” Journal] <http://www.intertrends.ru/five/007.htm>

<sup>8</sup> The same source.

<sup>9</sup> The same source.

<sup>10</sup> *Tsit.: Globalnoye upravleniye. Ucheb. posobiye* [Cit.: Global governance. Textbook. Benefit / A. Soloviev. - Moscow: Infra-M, 2007. - p. 15]

Taking into account rather a short time span for such a complex integrated concept to establish itself in the contemporary economic theory and also its interdisciplinary nature, in the global discourse there is no single approach to any of the aspects of interpreting «global governance». Researches and analysts most often use this term having in mind the following things

— diversity of social actors. Thus, according to D. Held the idea of global governance encompasses not only official institutions and organisations through which norms and rules are created for maintaining the world order (these institutions being state institutions, intergovernmental cooperative ties, etc.), but also networked organisations and pressure groups (global companies, transnational social movements, international non governmental organisations, etc.) that have direct influence on the functioning of the government system and achieving strategic goals of transnational entities<sup>11</sup>,

— the formation of «contemporary informational elite» when the use of the concept of « global governance» is justified in view of the influence which specialists proficient in computer technologies, programmers, financial analysts and brokers and other financial intermediaries have on the tendencies in the development of the global information, financial, social systems and other important social institutions<sup>12</sup>;

— the type of the «world government» which international organisations are greatly concerned with. Thus, N. Craig emphasises the need of studying the history of formation and evolution of global organisations, intergovernmental and quasi-governmental agencies, cross-border networks as a priority pre-requisite for the formation of a future global government<sup>13</sup>;

— the power of a government, which western researches associate with the ability of governmental bodies to create and implement adequate levers for dealing with issues of social -policies<sup>14</sup> at different levels: local, national, regional and global<sup>15</sup>;

— the activities of various economic entities at national and global levels. In this context the concept of «global governance» is applied to managing ties which are beyond national borders, without any reference to state sovereignty<sup>16</sup>;

<sup>11</sup> David Held and Anthony McGrew, David Goldblatt and Jonathan Perraton, *Global Transformations: Politics, Economics, and Culture*. Cambridge: Polity Press, 1999, p. 50.

<sup>12</sup> Martin Hewson and Timothy J. Sinclair, «The Emergence of Global Governance Theory,» in Hewson and Sinclair, eds., *Approaches to Global Governance Theory*. Albany: State University of New York Press, 1999. p. 10.

<sup>13</sup> Craig N. Murphy, *International Organization and Industrial Change: Global Governance Since 1850*. New York: Oxford University Press 1994, p. 1.

<sup>14</sup> Wolfgang H. Reinicke, *Global Public Policy: Governing without Government?* Washington, D.C.: The Brookings Institution, 1998, p. 4.

<sup>15</sup> Fraser-Moleketi, Geraldine (ed.), *The World We Could Win: Administering Global Governance*, International Institute of Administrative Sciences, OIS Press, 2005

<sup>16</sup> Cited from: Lawrence S. Finkelstein, «What is Global Governance?» *Global Governance: A Review of Multilateralism and International Organizations*. 1 (1995), p. 369

— actors who create the official system of norms and rules. Thus an expert on the formation of the world order D. Rosenau understands global governance as referring to an abstract level of supervision at all levels of human activity, which comprises a system of rules where strategic goals are achieved by exercising the function of control. «Governance encompasses not only the activities of governments but also other players who resort to command mechanisms: the creation of demand, setting goals, preparing guidelines, working out policies, etc.»<sup>17</sup>. In his view global governance is supported by a system of rules which serve as a ‘steering wheel» which enables leaders to achieve their goals.

— procedures of collective management. In this meaning «global governance» denotes the total number of ways used by individuals, government and private institutions for dealing with their common matters. It is a long process in the course of which a consensus among divergent and controversial interests is achieved by cooperative effort<sup>18</sup>;

— procedures of collective choice where governance involves any decision<sup>19</sup>, which groups of people make collectively for creating common principles, forms and rules of behaviour on the international arena<sup>20</sup>;

— global governance without a global government». This concept was suggested by a researcher from Boston University A. Najam<sup>21</sup>. Its main idea is that in a turbulent global environment which emerges in the late XX — the early XXI centuries as a result of an increase in the number and intensity of activities on the part of international actors (transnational companies, international governmental and non-governmental organisations, cross-border networks etc.), the state is no longer powerful enough for exercising control over the economic processes it used to control before. Thus it is forced to delegate its management powers either locally (to local authorities) or globally (to global bodies). In the situation when an institutional system of global governance officially recognized by all countries of the world does not exist the functions of governing, monitoring and control are allocated to different types of participants of world economic processes.

— effective regulations. According to O. Young global governance means the creation and operation of social conventions (rules of the game developed by common efforts of governing bodies for introducing social methods of governance, allocating roles to participants of decision-making, providing

<sup>17</sup> James N. Rosenau, *Along the Domestic-Foreign Frontier: Exploring Governance in a Turbulent World*. Cambridge: Cambridge University Press, 1997, p. 145. James N. Rosenau, *Distant Proximities: Dynamics Beyond Globalization*. Princeton: Princeton University Press, 2003, p. 393.

<sup>18</sup> Commission on Global Governance, *Our Global Neighborhood*. New York: Oxford University Press, 1995, p. 2.;

<sup>19</sup> Ann Florini, *The Coming Democracy: New Rules for Running the World*. Washington, D.C.: Island Press, 2003, p. 5.

<sup>20</sup> Lebedeva M.M. *Mirovaya politika: Uchebnik dlya vuzov*. [Global Policy: Textbook for high schools. - Moscow: Aspect Press, 2003. - pp. 12-21, 316-326.]

<sup>21</sup> [http://encycl.opentopia.com/term/global\\_governance#The\\_concept\\_of\\_global\\_governance](http://encycl.opentopia.com/term/global_governance#The_concept_of_global_governance)

interaction between different actors of the management process), capable of settling conflicts, facilitating interaction in the world of interdependent interconnected actors<sup>22</sup>;

— «collective measures for understanding and solving global problems which individual governments are unable to solve on their own»<sup>23</sup> « Thomas Weiss and R. Thakur contend that global governance can be defined as «a combination of official and unofficial institutions, mechanisms, ties and processes among states, markets, citizens and organisations, both at an intergovernmental and non-governmental levels, due to which collective interests are formed at the global level, rights and obligations are established, differences are settled;

— processes and institutions. Global governance is understood by R. Keohane and J. Nye as processes and institutions, both official and unofficial, whose activities are aimed at restricting collective actions of groups of people. Governance is not necessarily carried out by governmental entities or international organizations with delegated powers. Nowadays some private firms and associations of firms, non-governmental organizations and networked entities are involved in the management process (within their functional frameworks)<sup>24</sup>.

— global regimes. The proponents of this approach, in particular, O. Young and J. Rosenau, see governance as existing international regimes — institutional agreements (mechanisms), in which states, as main decision-makers concentrate on various issues raised by the leaders of the international community<sup>25</sup>;

— «a form of local or sporadic regulation which can only be carried out in certain trans-border areas and territories»<sup>26</sup>. This idea belongs to the Russian researcher O.I. Solovyov.

It should be noted that an essential difference in treating the concept of «global governance» is the result of the natural process of the formation of this term. Among the factors which influence the process directly one must mention the following: the use of different techniques and traditions of schools of thought, differences in political systems, their aims and cultural traditions in different countries, the interdisciplinary nature of research devoted to these problems as well as different interpretations of the purpose for which this concept can be used.

In our opinion the problem of global governance is not so much connected with the absence of a precise definition of the concept itself as with the fact

<sup>22</sup> Oran R. Young, *Governance in World Affairs*. Ithaca: Cornell University Press, 1999, p. 11.

<sup>23</sup> Thomas G. Weiss and Ramesh Thakur, *The UN and Global Governance: An Idea and its Prospects*, University of Indiana Press, forthcoming.

<sup>24</sup> Robert O. Keohane and Joseph S. Nye, Jr. «Introduction,» in, Nye and John D. Donahue, eds., *Governance in a Globalizing World*. Washington, D.C.: The Brookings Institution, 2000, p. 12.

<sup>25</sup> Oran R. Young, *Governance in World Affairs*. Ithaca: Cornell University Press, 1999, p. 11.

<sup>26</sup> Cited from. *Globalnoye upravleniye. Ucheb. Posobiye* [Global governance. Textbook / A. Soloviev - Moscow: Infra-M, 2007. - p. 32]

that there are no sufficiently developed patterns or forms aimed at practical and prompt solution of global problems. Nowadays more influential countries, their regional associations and international organisations are making a lot of effort to formalise through various institutions the processes of growing economic and political interdependence of entities participating in the world economy, to work out universal principles of cooperation for countries of different types, taking into account their natural interests and political weight on the international arena, and to test various instruments of global economic interaction on a multilateral basis.

After studying thoroughly various interpretations of the term «global governance» suggested mainly by western researches, the author came to the conclusion that they partially described the meaning of this complex interdisciplinary concept and revealed only some elements of the multi-level system of global governance. Thus, the authors think it proper to suggest their own wording for the notion of «global governance»:

— as a process of common management of the world order on the basis of creating a generally recognized hierarchically arranged global institutional system that is founded on the principles of transparency and complex approach and depending on organisational and functional competence of its key players (states, international governmental and non-governmental organisations, global networks, regional unions, etc.), takes into consideration all aspects of presenting and implementing their strategic interests, representing the right to approve global decisions and guarantees the safety of their coexistence in the global environment.

Thus this definition gives a broad description of the concept of «global governance» in which all its basic elements are taken into account, namely:

— organisational regulation of process of governance at the global level, which is represented by the creation of a global institutional system. It must be based on the principles of subordination of the activities of its participants at different levels for precise and smooth implementation of decisions taken; readiness to respond, identification and timely avoidance of future risks, including an appropriate response of the world community in the case of their emergence; close inter-level interaction, which takes a full account of their strategic interests on the international arena;

— competence-oriented allocation of powers among the key participants of the process of global governance, which it is vital to achieve with the aim of enabling governing entities to exercise their duty of taking global decisions most professionally as well as preventing different structural units of the global institutional system from fulfilling similar functions;

— harmonising the interests of heterogeneous members of the global economic system by presenting their voting rights in international organisations, which will be a guarantee of avoiding controversy in various spheres of social and economic activities and will increase the degree of collective security in the world.



### **Functions, principles and scenarios of global development suggested by the Commission on Global Governance and the Group of Lisbon**

In the report of the **Commission on Global Governance** for 1995 entitled «Our Global Neighbourhood» analysts and researches made an attempt of evaluating the effectiveness of the global governance system and proposing theoretical and methodological foundations of its further development. In their opinion the future system of global governance must be based on firm obligations and democratic principles which reflect the protection of fundamental human rights, promoting peace and stability in international relations. The priority functional aspects of competence of such a system which should be dealt with primarily by the world community includes:

— working out common policies and practical ways and techniques for settling up-to-date global problems;

— control over the allocation and mobilisation of the world's natural financial and human resources needed for attaining their fundamental goals;

— involving influential players capable of achieving impressive results in the system of global governance by using various tools, institutions and human skills at different levels of decision-making;

— creating partnership networks connecting the governance process participants willing to coordinate their efforts and capable of doing so;

— building up a system of global governance based on the subsidiary principle which provides for delegating powers to those decision-making levels where an issue will be dealt with in the best possible way;

— reforming the global financial system including the creation of a stable monetary system, which can provide timely forecasting and preventing economic crises on the world markets;

— the introduction of legal mechanisms for settling disputes between countries in the sphere of trade in goods and services, transfer of technologies and investment;

— providing common infrastructure and global institutions responsible for unification and standardisation of commonly recognised norms and rules, for example, weight, time, measurement systems of technical specifications, networks of sea, air, railway and road transportation;

— designing and implementing mechanisms providing steady economic development and the protection of environment<sup>27</sup>;

Besides the key functions of the global governance system, the commission presented three future scenarios of the world development:

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<sup>27</sup> Our Global Neighborhood Report of the Commission on Global Governance. ISBN 0-19-827998-1; Published by Oxford University Press, 1995 pp. 8—12

the optimistic, the polarised and the pessimistic ones. As for the optimistic scenario, it views the present situation of settling problems by force as a temporary phenomenon of the global society, in the future, due to joint effort of the global community directed at harmonising the basic principles, mechanisms and instruments of the global governance system it will be possible to establish a more stable and peaceful way of collective co existence. In its turn, the polarised scenario envisages the division of the world into two parts: the economically successful world within the «Triad»<sup>28</sup> (or the countries of ‘the golden billion») and the rest of the countries of the world (first of all African countries, the countries of the Middle East and part of Central American and South American countries), which are in confrontation with one another and economically underdeveloped.

And, at last, the pessimistic scenario predicts the growth of violence and disorder in the whole world in the future: an increase in the crime rate, fraud connected with medicines, a threatening unemployment rate, urbanisation pressure, economic mismanagement, ethical and ideological conflicts, etc., which in the future will lead to aggravating conflicts and chaos.

In our view at present the world is developing according to the pessimistic global development scenario, which is acquiring an integrated negative effect which can be observed not only in remote countries but also in post-industrial countries of the world.

Unfortunately this fact is confirmed by numerous international governmental and non-governmental organisations in their analytical reports which show social and economic stratification of the global society, an increase in the number of people suffering from incurable diseases in less developed African and Asian countries, the emergence and aggravation of military conflicts in the Middle East and other regions of the world, exacerbation of the global environmental, food and energy problems and, on the whole, citizens’ dissatisfaction with their standard of living and safety even in the countries of ‘the golden billion». However, just as at any other stage in the society’s development, nowadays, along with negative phenomena and processes, which are rather controversial and to a great extent caused by globalisation processes, one can see the first stable positive tendencies in the formation of the global order. Among the most essential of them one should mention the following;

— understanding by the representatives of the global economic elite and countries who are at the forefront of economic development the irreversible nature of the global transformations connected with the climate change, a growing possibility of an increase in the number of natural catastrophes, the depletion of natural recourses and the need of using them more rationally, etc.

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<sup>28</sup> «The Triad» is an informal institutional association of the global type which unites the most developed countries of the world, which includes Japan, countries of Western Europe and North America.

This fact is proved by a considerable number of initiatives that have been undertaken by representatives of governmental and nongovernmental circles in the last decade («The Millennium Summit» (2000), «The Monterey Consensus», (2002), «The Summit on Sustainable Development in Johannesburg» (2002), etc.);

— founding numerous non-governmental networked organisations whose principal mission is the formation of public opinion and concentration of people's attention on deepening of the global problems of today; partial recognition of their status under the auspices of governmental organisations, which means recognizing the importance of the civil society as an inseparable element of global development;

— intensification of effort on the part of the world community and working out the corresponding institutional basis aimed at staving off and preventing global conflicts, guarantees of securing peace in the long run and providing means of peaceful coexistence on the global scale. (The Declaration on Increasing the Effectiveness of the Security Council's Role in Preventing Conflicts (2003), The Bangkok Declaration on Crime Prevention and Criminal Justice (2005), The Bucharest Declaration on International Cooperation on Countering Terrorism, Corruption and Transnational Organised Crime (2006)).

The CGG is not alone in introducing their initiatives which concern defining methodological foundations for securing the functioning of an effective global governance system and the development of the future world order. Their own variant of the world order formation was suggested by the Group of Lisbon founded in 1992 and symbolically named to commemorate the 500<sup>th</sup> anniversary of the so-called discovery of the «new world» (new geographic discoveries)<sup>29</sup>. This international institution includes twenty representatives of various spheres of activity from various countries, in particular, Japan, Western Europe and South America. It was founded by Riccardo Petrella, the head of FAST programme under the aegis of EU Commission in Brussels, as a forum for discussing global problems, analysing global transformations that affect development of national economies and the elaboration of new institutional foundations of official interaction aimed at decision-making and uniting the efforts of the global players. The priority principles of global governance suggested by the Group of Lisbon are of great interest to researchers.

They are

1. The cooperation principle, which means that the global governance tools must be directed towards deepening of cooperation, i.e. cooperation will provide the efficient use of resources and guarantee trust that the participants of joint decision-making process will have in each other. Nowadays economic competition cannot by itself secure sufficient standards of human

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<sup>29</sup> <http://tmtm.free.fr/www.lesperipheriques.org/ancien-site/doc/enlng.html>

development in the global society, that is why joint actions that lead to concluding agreements, exchanging experience, conducting negotiations and setting common goals contribute to strengthening democracy and development.

2. *The solidarity principle.* According to the experts of the Group of Lisbon, the pre-condition for the creation of a global governance system is the formation of a global society. Various types of social organisations and movements represent a steady mechanism supporting democratic development: they contribute to understanding the issue, provide subordination of organisations, guarantee the transparency of decision-making.

3. *The subsidiary principle.* Local initiatives must become an inalienable part of taking decisions at the global level. A broad and fruitful segment of local creative resources is not used to its full capacity, because the main attention is directed to purely commercial (material) needs: the production of goods and services, oversaturation of the market with material things. Future cooperation must be based on the inter-sector principle and reflect the interests of potential participants of the global governance process, i.e. comprise representatives of transnational entities, the UN bureaucratic elite, local governing bodies, members of state governments and members of non-governmental organisations.

4. *The principle of cultural diversification.* With the aim of taking more flexible and universal decisions at all levels of government world community must take into account cultural diversity of nations. Ignoring this principle, which nowadays manifests itself by the revival of egocentric rhetoric and behaviour, the growth of social pressure, emerging confrontation between racial and religious groups, can lead to mass violence on the global level<sup>30</sup>.

As a result of their research the Group of Lisbon suggested six possible scenarios of global development and submitted them to experts on issues of global governance.

Table 1

**Scenarios of global development  
suggested by the Group of Lisbon<sup>31</sup>**

	<i>Pro-market mechanism of global governance</i>	<i>Mixed cooperative mechanism of global governance</i>
<b>Localisation /</b>	Apartheid Scenario	«Pax Triada»

<sup>30</sup> <http://www.globgov.collegium.edu.pl/indexeng.html>. GLOBAL GOVERNANCE W DWUDZIESTYM PIERWSZYM WIEKU — UKŁAD WŁADZY ŚWIATOWEJ W EPOCE GLOBALIZACJI

<sup>31</sup> The Group of Lisbon (1995) «Limits to competition». MIT Press, Cambridge, Massachusetts, London, England, p. 81—83

<b>fragmentation</b>		Survival scenario	
<b>Globalisation / Integration</b>	GATT WTO-type scenario	Scenario of region based global system	Global integration scenario

Source: The Group of Lisbon (1995) «Limits to competition». MIT Press, Cambridge, Massachusetts, London, England, p. 81—83.  
<http://www.globgov.collegium.edu.pl/indexeng.html>. GLOBAL GOVERNANCE W DWUDZIESTYM PIERWSZYM WIEKU — UKŁAD WŁADZY ŚWIATOWEJ W EPOCE GLOBALIZACJI

1. *The Apartheid Scenario*. The growth of destructive ties among the «Triad» countries will be more intensive in the future due to more and more fierce competition in the sphere of intellectual knowledge and high technologies which will be introduced in the production process and will bring about the formation of a new organisational system, a renovated energy system, informational infrastructure, telecommunication services, etc. Such tendencies of global development will cause weakening of economic and social ties between the «Triad» countries, as well as the growth of poverty, destruction of the infrastructure and local wars in other parts of the world. The cultural gap will divide the world into «the included» and «outsiders» (excluded) ones. International economic processes will be run by the world government created by the «Triad» countries on the principle of a Board of Directors which will provide for minimum interaction among the two worlds.

2. *The survival scenario*. According to this scenario each company, city, region, organisations and civil community will be in charge of their own social protection and economic well-being. The world will be dominated by the market economy philosophy where each individual will struggle for his or her own survival by defeating others. The increase of the competitive struggle and constant «technological rush» will lead to a threatening form of instability in the global environment. In this situation the municipal power is the only provider of steady economic development and strengthening competitiveness at the local level.

3. *Pax Triad*. The scenario forecasts the fragmentation of the world provided consensus is reached by the best-developed regions, and their development is provided on the basis of self-government in the world economy and society. The global economic development will be based on the economic strength and firmness of cooperational ties between the participants of the «Triad» which will guarantee support to other countries of the world and in such a way secure international stability. The leading countries will reduce their military arsenal and will generate scientific and technological potential to satisfy the society's needs. However, such arrangement of the world order will intensify competition between the elite members which will

undoubtedly widen the gap between «the included» and «the excluded» worlds.

4. *The global integration scenario* predicts that the world will be built up on the basis of such values as social benefits, people's solidarity, fair distribution of benefits, social and environmental subordination, negotiations between civilisations, respect and promotion of human rights, cultural tolerance which will gradually contribute to overcoming inequality in the global social, economic and technological development. Global problems are so huge and dangerous that the only possible way of their solution is the cooperation of efforts with the aim of working out an adequate strategy of global development and its corresponding regulating mechanisms in the framework of an effective «global government». The free market will be replaced by socially and environmentally oriented economic systems. A synthesis of know-how, Delphi techniques and local decisions of governments and regions all over the world, their implementation through multiple forms of economic, technological and social development projects will become the most widely used and effective mechanism.

5. *GATT/WTO («Gattist»)* scenario provides for the transformation of the world economy into an integrated market of goods, services, capital and labour which will bring about fundamental restructuring of the banking, insurance, monetary and fiscal systems, transformations in agriculture and social protection mechanisms. Such a system will be based on powerful antitrust law and corresponding regulating and supervisory institutions.

6. *The region-based global system.* According to this scenario the world economy processes and institutions will depend on two levels of cooperative integration: the first one implies economic cooperation of regional (intercontinental) interstate organisations, such as the EU, NAFTA, MERCOSUR, ASEAN on a bilateral and multilateral basis; the second one is a form of a global government based on common action of all regional integration associations.

The above-mentioned forecasts developed by the international institutions, which refer to the sphere of working out the key principles and provisions of future world order, deserve our special attention and detailed study. In our opinion, the analysis of the above-mentioned scenarios is not sufficient for avoiding negative consequences of people's co-existence; at present, taking into account a variety of tendencies in the global economic development, different tools of interstate, regional and global interaction are of equal importance. Along with well-known scenarios and forecasts related to the outlines of the future world order, the main tools of international cooperation have also been modified.

Not only well-known scenarios and forecasts of outlines relating to future world order have been modified but also the main instruments of international cooperation that are not only strategic means of reaching goals but also have a

direct influence on creating the global institutional environment and allocation of organizational and functional powers to its participants.

### **Contemporary mechanisms of global governance and types of institutional interaction among the key players of international relations**

As it is known, the basis of the Westphal Treaty concluded in 1648 was the state-oriented model of power which regarded a state as a sovereign and autonomous territorial entity that enjoys the right to work out its home and foreign policies, to determine its economic, social and cultural development strategy. Such a system of international relations proved to be sufficiently effective and stable: thanks to implementing its principles states managed to settle territorial disputes, put a stop on internal discord, arrange the world order on the basis of national interests but at the same time wage world wars. International relations were mainly regulated by means of countries joining unions and making agreements: the «Utrecht Peace» (1713 г.), «The Versailles Peace Treaty» (1919), «The Yalta — Potsdam Treaty» (1945), etc.<sup>32</sup>.

According to expert's opinions, the Westphal model of international relations began to undergo transformations at the end of the XX — the beginning of the XXI centuries. Apparently the main motive forces of the process of political transformations was the penetration of globalization into all spheres of people's lives, and globalization, due to its inherent qualities, caused the acceleration in the development of the world economy, intensification of international ties, the emergence of new (hybrid) forms of interstate economic cooperation. All this resulted in: first, gradual erosion of countries' state sovereignty, the core of which shifted to economic and information spheres; second, the emergence of a great number of new players of international relations (international governmental organisations, international nongovernmental organisations, multinational corporations, various virtual cross-border networks, business associations, informal pressure groups, international forums, etc.); third, the intensification of economic disequilibrium, which led to sharp polarisation of the world into industrialised (post-industrial) countries and developing countries, fourth, aggravation of global problems which, if not dealt with promptly, threaten the existence of the whole mankind.

Under such circumstances the world elite began developing and testing a number of forms and mechanisms of interaction in various spheres of the economic life which can be satisfactory for all countries. Besides well-

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<sup>32</sup> *Mirovaya politika: Uchebnik dlya vuzov [Global Policy: Textbook for high schools \ Mikhail Lebedev. - Moscow: Aspect Press, 2003. - pp. 12-21]*

known mechanisms of bilateral and multilateral agreements that are considered to be traditional tools of international relations, some means of compromise can include conventions, contractual relations, tools aimed at coercion and restriction<sup>33</sup>.

As regards conventions, they are voluntary agreements which demonstrate a compromise on the part of a state since they restrict home policy or accept external monitoring on the part of international organisations. This is a private agreement, which is rather a wide-spread means of improving the international and legal basis and achieving uniformity of international documentation. Under the conditions of diversification of international economic ties on the basis of sectors or industries conventions are an effective and flexible instrument of inter-state cooperation. For example, the best-known conventions are United Nations Convention on Contracts for the International Sale of Goods (1980); United Nations Convention on International Bills of Exchange and International Promissory Notes (1988); Conventions of International Maritime Organisation and International Civil Aviation Organisation, which concern some aspects of unification of norms and rules of transporting cargoes, safety of sea carriage, etc.<sup>34</sup>.

Contractual agreements are an alternative form of international relations from the viewpoint of western researchers, which was formed under the influence of the state-oriented model. Its essence is uniting countries into various regional associations such as the EU, NAFTA, ASEAN for obtaining essential political and economic benefits<sup>35</sup>.

In their turn, coercion instruments in the conditions of globalisation of the world economic ties are acquiring a somewhat different character. As distinct from the traditional treatment of coercion as collective measures taken by countries (groups of countries) on the basis of UN Charter with the aim of averting the threat of war, nowadays this notion has an economic connotation and a latent nature<sup>36</sup>. As a rule, coercion is used by well-developed countries towards developing countries by imposing economic sanctions in the framework of international government-type organisations. Such well-known sanctions as anti-dumping investigations, countervailing duties, the introduction of additional technical and sanitary barriers to export from developing countries are widely spread methods of protecting the national economic interests of the world leading countries. Restriction tools, which are similar to coercion tools, are chiefly applied to developing countries.

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<sup>33</sup> Krasner, S. (1995) Compromising Westphalia. *International Security*, volume 20, number 3, pp. 115—151.

<sup>34</sup> *Vneshneekonomicheskiy tolkovyy slovar* [External economic dictionary / IP Faminskii. - M., 2000]

<sup>35</sup> Rodolfo Apreda. UNIVERSIDAD DEL CEMA Working Paper Series, number 302, September 2005 IT IS FOR GLOBAL GOVERNANCE TO SHARPEN UP INTERNATIONAL RELATIONS BY FULFILLING A FIDUCIARY ROLE AND CARRYING OUT THE BROKERAGE OF ASYMMETRIC INFORMATION, pp. 6—7

<sup>36</sup> *Bolshoy yuridicheskiy slovar* [Large Juridical Dictionary / A. I. Sukharev, V. Zorkin, VE Krutskii. - M., 1997]



Economically unstable countries («third world») agree to preferential treatment of economically powerful partners with the aim of securing the existing national wealth. These sanctions can also be imposed, as, for example, the USA interventions in the Countries of Central America and the Caribbean countries or similar UN campaigns directed against Kuwait and Iraq.

Representatives of the German school of management in their analytical studies describe their own view of modifications in the regulating instruments, they distinguish between three key mechanisms of global governance: multilateral harmonisation, unilateral punishment and mutual national diffusion (table 2)<sup>37</sup>.

Table 2

### Three mechanism of global governance

	HARMONISATION	COERCION	DIFFUSION
Type of activity	Cooperation and taking decisions multilaterally.	Unilateral agreements (economic and political).	Decentralised imitation (persuasion / studying)
Strength of obligations	<i>Medium — High</i>	<i>High</i>	<i>Low</i>
Key motivation of national law-makers	— Target cross-border problems — Avoiding trade disproportions	— Joining the existing organisations and agreements — Obtaining financial and technical assistance	— Attempts at settling national problems — Reduction of uncertainty
Chief motive forces	<i>Interest</i>	<i>Strength</i>	<i>Knowledge</i>

Source: : Helge Jörgens. ENVIRONMENTAL POLICY RESEARCH CENTRE Freie Universität Berlin. Department of Political and Social Sciences Otto Suhr Institut for Political Sciences . FFU-report 07-2003. Governance by Diffusion — Implementing Global Norms Through Cross-National Imitation and Learning.

The above-mentioned mechanisms are the result of transformation of interstate policy in situation of globalisation where the norms of one country affect the results of economic activities of another one. In this process countries are lawmaking entities and full-fledged participants of forming the institutional basis of global governance.

Harmonisation, according to the opinion of competent western experts, is conscious modification of national policy by governments, which is carried

<sup>37</sup> Helge Jörgens. ENVIRONMENTAL POLICY RESEARCH CENTRE Freie Universität Berlin. Department of Political and Social Sciences Otto Suhr Institut for Political Sciences . FFU-report 07-2003. Governance by Diffusion —Implementing Global Norms Through Cross-National Imitation and Learning ISSN 1612-3026

out in connection with their obligations under multilateral agreements and involves the adaptation of standards of international organisations<sup>38</sup>. It can have a form of coordinated cooperation of a certain group of countries with the aim of solving current problems. In this case a country agrees to take part in the process of taking collective decisions, as well as actively influence the results of multilateral negotiations. In the future it must accept the adopted standards and implement them actively in its national policy. As a rule, states unite their efforts for solving global, inter-regional or cross-border problems, since other rational ways of solving them are either exhausted or unavailable. Indisputably, the motivation of the participants of this process is mutual interest of the parties in more substantial economic benefits, and the nature of their obligations will not only depend on who the participants are or how challenging a problem is but also on how much international standards are formalized. A vivid example of a harmonisation mechanism are the countries' obligations in the process of European integration, countries joining the global trade system, etc.. The coercion mechanism is used in the situation when certain countries, international organisations or their representatives take advantage of the asymmetry of strength in international relations with the aim of dictating and imposing their conditions on other sovereign states. In contrast to harmonisation, the main motive force of coercion is economic and political power of states, their wish to obtain more competitive advantages. While international organisations propose countries their own ways and principles of dealing with a certain problem, recipient countries are first of all interested in receiving particular financial assistance, access to multilateral international agreements, membership of regional integration associations. The strength of obligations of the countries undergoing coercion remains rather high, since they take their own decisions concerning possible concessions.

Coercion through the use of force (military) in contemporary international economic relations is not widespread as distinct from economic and political coercion. The latter types were widely used, for example in the process of phased expansion of the EU or in the course of giving official assistance to less developed countries of the world. Apparently for this reason, taking into account the specific mechanism and possible negative economic consequences, experts of the WTO, during the latest Doha Round of talks, did not advise developing countries to start bilateral negotiations with the leading countries, since it is the multilateral format that best guarantees protection and promoting collective interests.

Diffusion is the result of the process in which know-how is transferred through definite channels during a certain time span to the participants of a

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<sup>38</sup> Howlett, Michael (2000), 'Beyond Legalism? Policy Ideas, Implementation Styles and Emulation-Based Convergence in Canadian and U.S. Environmental Policy', *Journal of Public Policy*, 20 (3), p. 308.

social system<sup>39</sup>. In other words, this is the process of imitation, or learning, where information on advanced methods of work in one organisation influences the formation of organisation's strategy<sup>40</sup>. The advantage of using the diffusion mechanism is the fact that states, having free access to needed information on testing political know-how by their predecessors are able to lower their costs by using the practical results in developing their own national strategies or development programs.

As distinct from harmonisation and coercion, diffusion has a decentralised nature and does not imply precise and formalised contractual obligations of recipient countries in relation to governments of other states or international organisations. Resorting to political diffusion the governments of countries, first of all, aim at benefiting from positive experience of other countries in obtaining competitive advantages by decreasing the negative external economic influence, reducing economic and political risks (uncertainty) of decision-making, at becoming legally recognised on the international arena, etc.

With the aim of analysing the qualitative aspect of organisational transformations that occur in the process of mutual influence of institutions at different levels of the global economic system, in our opinion, it would be worth considering the possible types of institutional interaction<sup>41</sup> suggested by representatives of the German and American schools of management.

*The Vertical Type* of interaction in the result of organising cooperation among institutions of different scales and levels, in particular, the WTO, the IMF, ASEAN and others.

*The Horizontal Type* reflects the interrelations of institutions at the same level of social organisation, for example, of the EU and the Association of countries of South-East Asia, or of the IMF and the World Bank.

*The Functional Type* identifies the relations between two or more institutions of different scientific or professional orientation, whose efforts are aimed at solving the same global problems.

*The Political Type* exists in the situation when global actors establish mutual ties between institutions intentionally having in mind achieving individual or collective purposes. As a rule, the political type of interaction leads to the formation of a joint political project and working out regulatory tools<sup>42</sup>.

<sup>39</sup> Rogers, Everett M. (1995), *Diffusion of Innovations*, 4th ed., New York: Free Press, p. 5

<sup>40</sup> Simmons, Beth A. and Zachary Elkins (2003), *The Globalization of Liberalization: Policy Diffusion in the International Political Economy*, Paper prepared for delivery at the workshop Internationalization of Regulatory Reforms: The Interaction of Policy Learning and Policy Emulation in Diffusion Processes, Berkeley, CA, April 24—25, 2003.

<sup>41</sup> Howard Loewen. Towards a Dynamic Model of the Interplay Between International Institutions. GIGA Research Program: Transformation in the Process of Globalization N° 17 February 2006, p. 12

<sup>42</sup> Young, O.R. Institutional Interplay: The Environmental Consequences of Cross-Scale Interactions, in: Stern, Paul C. (ed.), *The Drama of the Commons*, Washington D.C., 2002, P. 264

It is worth mentioning the typology of the institutional interaction suggested by O.S. Stokke, where the author interprets it from the viewpoint of the quality shown in the functioning of institutions<sup>43</sup>.

Table 3

The Typology of Institutional Interaction

Type of interaction	Definition of the category	Hypothesis
<b>Utilitarian</b>	the type of interaction where schemes and rules designed within one institution influence the expenditure and choice of behavior of other institution	<ol style="list-style-type: none"> <li>1. When institutions deal with the same issues using additional resources reflexive interaction compensates for the absence of a coordination mechanism.</li> <li>2. Factors of external influence that emerge in one institution and influence the functioning of the other can lead to constructive or destructive interrelationship. Such influence can be modified only with the help of a mechanism of interstate cooperation.</li> <li>3. When institutions (regimes) compete for regulatory powers, it can be expected that the growing interaction of international interaction offsetting the negative influence will be successful.</li> </ol>
<b>Normative</b>	the interaction process in which institutions support or reject norms adopted by other institutions in such a way that they influence their own normative effect	<ol style="list-style-type: none"> <li>1. Normative interaction is enforced by the firm conviction of the institutions that provided it defines more clearly the roles and their relation to other norms recognized by international institutions it will promote positive attitude of the main entities to the selected framework.</li> <li>2. If the rules of joint activities are the object of complaint, a relative institutional power can become decisive (within a particular regime) for managing normative interaction between institutions.</li> </ol>
<b>Based on Ideas</b>	the process of studying the institutional mechanism where some institutions can contribute to improving the quality of others, it occurs by drawing political attention to difficult issues.	<ol style="list-style-type: none"> <li>1. Interaction based on ideas influence the effectiveness of operation of institutions participating in decision-making and dealing with particular issues only when they are of a political nature or become widely known.</li> <li>2. Whenever the initial institution has important distributional influence on other institutions interaction based on ideas demands not only considerable effort on the part of competitors but also on the part of institutions, which have mutual interest.</li> </ol>

The source: made by the author on the basis of Stokke, Olav Schram (2001): *The Interplay of International Regimes: Putting Effectiveness Theory*

<sup>43</sup> Stokke, Olav Schram (2001): *The Interplay of International Regimes: Putting Effectiveness Theory to Work*. Lysaker.

to Work. Lysaker. <http://www.ssrn.com> — Social Science Electronic Network.

Taking into consideration the above-mentioned types of institutional interaction all possible types can be grouped into subtypes:

— *subordinated*, which reflect interaction between institutional principles and methods<sup>44</sup>. The concept of subordination is based on empirical research which shows the institutional mechanism of implementing specific normative regimes, such as the global trade framework, in fundamental institutions, which can be compared to countries' sovereign equality;

— *embedded*, when ties of institutions that interact on the basis of geographical or functional parameters<sup>45</sup>, are classified with the aim of concluding specific institutional agreements, which are made or related to each other hierarchically within larger institutions. Such examples of institutional arrangements are found in South Asian countries. Thus, bilateral agreements on fishing signed between South Korea and Japan, South Korea and China are a replica of the norms provided by the UN convention of the Marine Law. Besides, regional bilateral frameworks are embedded in new provisions of the Marine Law, which is in force in special economic zones in this area;

— *clustered* (associations of a number of institutions at the international level) — the formation of clusters determines the parties' behavioural strategy aimed at reducing barriers for implementing the provisions of the agreement in the course of arranging an institutional package<sup>46</sup>. General issues of the Marine Law were settled by integrating the norms in the sphere of navigation, fishing ocean contamination, in the sphere of research, etc.

— *overlapping* (intentional influence) — such relationship indicates the existence of institutions which were formed in order to join efforts in dealing with similar problems and in the process of interaction have a considerable influence on mutual activities<sup>47</sup>. In this case, it is worth mentioning institutions for environmental protection that actively coordinate their actions with international organisations responsible for other spheres of activity.

Summing up the above-mentioned theoretical principles concerning institutions one must admit that nowadays there is no single commonly recognized point of view concerning conventional ways, methods and models of institutional interaction, as well as techniques (parameters) for evaluating the effectiveness of institutions. In the first place, in our opinion it is

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<sup>44</sup> Ruggie, John G. : International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order, in: International Organization, 1982, 36, 2, pp. 379—415.

<sup>45</sup> Kim, Sun Pyo: The UN convention on the law of the sea and new fisheries agreements in north East Asia, in: Marine Policy, 2003, № 27, pp. 97—109.

<sup>46</sup> Young, Oran. International Cooperation. Building Regimes for Natural Resources and the Environment. Ithaca. 1999. p. 164.

<sup>47</sup> Winter, Ryan L.: Reconciling the GATT and WTO with Multilateral Environmental Agreements: Can we have our cake and eat it too?, in: Colorado Journal of International Environmental Law and Policy, 2000, № 11, pp. 223—255.

connected with the comprehensive nature of the institutional theory as a branch of science. For a number of years it was directed at studying state institutions, market structures, various private associations, a human being as a source of generating knowledge, etc., that is a wide range of objects of study made it impossible for researchers to concentrate on one object.

In the second place, in the situation when economic life is becoming global, when international economic relations begin to dominate in the process of building up competitive advantages of every nation, institutionalism faces more challenges: not only to study and analyse the nature of institutional interrelationship and types of institutional interaction among different economic entities, but also to work out a complex and multi-level model showing development of the global economic system in the future.

Given all this, the most promising model of global governance is such a scheme that implies a balance of interests of large national states and regional integration blocs with the interests of less developed countries, social institutions, transnational commercial entities and global organizations, which in the future will exclude the possibility of monopoly on the part of certain countries, informal influence centres or centres of power in the elaboration of global development strategies of contemporary civilisation.

### **The contours of a theoretical model describing the institutionalisation of global economic development in the conditions of its multipolarity**

In the last few decades, the world community has begun to realize their inability to control globalisation processes and impossibility to forecast in what direction they will progress in the future. Irrespective of the degree of interdependence between participants of international economic relations, both quantitatively (the volume of foreign trade, the number of international migrants, the amount of mutual interstate investment, etc.), and qualitatively (higher dependence of national economies on international lending, transnationalisation of the world economy, the growing influence of highly-skilled labour on the economic development of host countries and others) global disproportions and uncoordinated actions on the regional and global levels produce an adverse affect practically on all participants of the global development process.

As a result of deepening economic contradictions at all level of social interaction the leaders of the world community were compelled to express their doubts as to the effectiveness and future prospects of the chosen trajectory along which global development is moving and to reconsider the conceptual foundation of the world economy institutional basis. It found its expression in numerous

provisions of UN declarations and conventions, which propose settling the humanity's global problems multilaterally and using a complex approach<sup>48</sup>.

In order to achieve positive economic shifts in fighting poverty in developing countries UN experts suggest carrying out radical reforms in domestic and foreign economic policies, the reforms which concern, in particular, the improvement of the investment climate, mobilisation of the available natural, educational, intellectual, financial and other types of resources, improving the quality of infrastructure, introducing market forms of managing the economy. An important role in this process is played by advanced industrial countries, which, aiming at achieving the global economic equilibrium, must gradually increase the involvement of poor countries in taking strategic decisions at the international level, help «third world countries» enter the markets of other countries, etc. Achieving such strategic aims implied carrying out reforms in global international organisations, such as the IMF, the World Bank Institutions, the WTO, as well as in the organisations which at the beginning of the XXI century are starting to acquire global competence.

On the basis of analysing the existing institutional mechanisms, forms and instruments of global governance and some principles of different foreign schools of management we think it proper to suggest our own theoretical model of institutionalisation of the global economic development.

Regarding global governance as one of the up-to-date concepts of the global institutional order it is necessary to take into account the results of research made by some representatives of foreign political science which prove the cyclical nature of the world order formation<sup>49</sup>.

Thus, in the development of world system one can observe periodic transformations in the structure and nature of the centres of power, which occur repeatedly: monopolarity, multipolarity and bipolarity.

As for monopolarity of the world order, it is characterised by the domination of a single leader in international processes, with a single centre of power and decision-making and centralised governance system. Such a centre can be represented by a country, an organisation, an empire or any other institutional entity. As a rule monopolarity (or unipolarity) is the least steady and lasting phenomenon as it implies the availability of considerable financial, intellectual and military resources for controlling and supervising areas or zones subordinated to a single centre.

At the same time, multipolarity characterises such an organisational structure of the world order which has a few decision-making centres, predominantly different in their functional duties, organisational structure or aims. The basis

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<sup>48</sup> <http://www.un.org/russian/documen/declarat/declarat.htm>

<sup>49</sup> Batalov E. Y. *Mirovoye razvitiye i mirovoy poryadok (analiz sovremennykh amerikanskikh kontseptsiy)* [Global development and global order (analysis of modern American concepts). - Moscow: Russian Political Encyclopedia (ROSSPEN), 2005. - pp 131-168;

Pantin W. E., Lapkin VV *Filosofiya istoricheskogo prognozirovaniya: ritmy istorii i perspektivy mirovogo razvitiya* [Philosophy of historical prediction: the rhythms of history and the prospects for global development. - Dubna: Phoenix 2006. - 448p.]

of its institutional nature is the disintegration of a monopolar system of influence, when certain elements formed as a result of the institutional transformation try to achieve self-identification and occupy its functional niche on the world arena.

This process develops with the help of rather diversified methods and tools of decision-making, as each newly created entity has the aim of strengthening its competitive advantages as soon as possible to be able to join «the league of major players». Bipolarity replaces multipolarity in the situation when two (or three) centres of influence and decision-making are crystallised in the process of socio-economic and political transformation. The length of bipolarity life cycle depends not only on the governing entities' potential, but also on their ability to hold constructive negotiations to coordinate their mutual activities and allocate potential influence zones.

Nowadays, according to some respected foreign experts, in particular, Ch. Kupchan, Ch. Kegley and G. Raymond<sup>50</sup>, the world system is undergoing the process of transformation from a unipolar system where we can observe the domination of the USA as the leader in the development of economic and technological processes to a multipolar one. Apparent signs of multipolarity can be observed not only in the post-war formation of the European Union, non-governmental association of the «Triad» type, «The Great Eight» and other integrational associations, but also in the growing potential of India, China and Russia — the powers whose national interests must be taken into account by traditional leading countries.

It should be noted that nowadays, when the cyclical character of the world economy development is becoming multi-vector, and cycles themselves are undergoing transformation (their length is reduced) because of a controversial nature of the motive forces of globalisation, we can observe the acceleration in the transition from one stage of the world order establishment to another one. The cyclical character of the global development is an irreversible and stable feature of any system, it is impossible to change it, but it is possible to alleviate its negative consequences connected with economic entities' adjustment to their new institutional roles. Under such conditions it is reasonable to propose a model of the world order with such features which would enable it to vary flexibly between the three above-mentioned stages of the world order and minimize the transactional expenditure of a transition period which is connected with using force for reassigning power, with casualties, financial crises, etc. (fig. 1).

In our opinion, the key principles underlying the present-day model of institutionalisation of the global economic development must be the following:

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<sup>50</sup> Kupchan Ch. After Pax America: Benign Power, Regional Integration, and the Sources of Stable Multipolarity,» *International Security*, Vol. 23, No. 3 . 1998), p. 20; Kegley Gh. Jh, Raymond G. A Multi-polar Peace? P. 10



1. Flexibility of the institutional structure which provides for creating an effective economic system which is capable of promptly delegating the needed powers to the level where a certain problem can be dealt with most efficiently, which can respond to global challenges adequately and be quick in finding experts.

2. Professional autonomy of decision-making entities, the avoidance of any pressure on the part of various influence groups, including unofficial ones.

3. Networked arrangement of an organisational structure as the most suitable one for maintaining a complex and systematic basis of taking decisions at different levels.

4. Securing and promoting cultural differentiation as the basis for steady and long-term development of the global society and at the same time a mechanism of preventing mass ideological destitution of nations.

5. A symbiosis of economic science and ecology to provide steady economic development and prevent redistribution of benefits by force.

6. The transparency of the global system, subordination of its constituent parts, adequate professional and unbiased response to social transformations.

7. Multi-vector monitoring and control over implementing decisions, the availability of truthful information for bodies with certain responsibilities.

8. Providing key participants of the global institutional system with fair, timely and complete information.

9. Precise allocation of official and unofficial powers among various participants of the global decision-making system with the aim of avoiding overlapping in forms and functions of institutions.

10. Equal access to social benefits and their equitable distribution.

11. The creation of comprehensive, multilevel distinct and more formalized system of coercion and punishment on the basis of economic sanctions.

12. The application of a uniform system of norms, rules and regulatory standards in relation to all entities of the homogenous institutional system.

The creation of a global regulatory system does not necessarily imply the formation of a global government with a single decision making centre. We regard an effective institutional system of the present-day stage of the world economy's development as a multivector one, as a system which implies networking in the organisations of power at different levels without restricting it in the number of centres of power. In our view, the key place in the global institutional system with adequate allocation of professional and organisational sets of competence must be occupied by the following global governance entities:

— states or their representative bodies in international governmental and nongovernmental organisations;

— global type networked entities (TNC's, global financial networks, global companies, professional and business associations);

- «unofficial power centres» (the «Triad», the «Big Eight», the OECD, London and Paris Clubs, various business forums, such as the Davos forum, etc.);
- international UN system organisations (the IMF, the World Bank, the WTO, the UNCTAD and others);
- knowledge generating centres (universities, innovation clusters, techno parks, technology towns, venture companies and others);
- regions, which are economically autonomous centres where competitive advantages are created, as well as interstate links and functional centres of production;
- global cities as centres of local activities (business, scientific, financial, innovative, etc.);
- leading countries of regional economic development (the USA and Canada in North America, Japan and China in the Asian region, the EU-15 in Europe, Russia and India in the Eurasian economic area);
- civil society institutions at all levels;
- institutions of military restraining, prevention and averting military conflicts;
- the global mass media (global information networks, international information agencies, analytical bureaus and bureaus summarising information, etc.).

The reassignment of powers among the principal participants of the future global order is a peculiar process of settling social and economic controversies which are inherent in the present-day stage of the world economy development. The aggravation of these controversies, whether they are inherent or artificially created, is the natural consequence of the fact that legal and economic institutions regulating national interests have become outdated. Nowadays these institutions reveal their inability to efficiently deal with regional and international conflicts, to adequately reallocate economic benefits or at least to slow down the growth of global economic and social asymmetries. After all, as the world experience shows, in spite of a relatively short-term existence of international organisations of UN system (the IMF, the WTO, the World Bank Group). They have rather quickly exhausted their regulatory powers as arbiters in the global economic system in which there is either no clear idea of which centres are responsible for decision-making or this centres are too numerous, and participants with the most powerful economic, political, innovative and resource potential begin to take their own independent decisions and exert their influence in order to achieve their goals.

In our view, the role of the key decision-making centres in the global institutional system (GIS) must be played by: the state or its representative bodies, global type international organisations (which have the corresponding status under the aegis of the UNO), as well as representatives of big multinational business, or, as we have called them, global networked

entities. They are entrusted with the task of dealing with major strategic issues of global importance.

We also regard as a separate group in our model «informal centres of power» including the «Big Eight», the «Triad», Paris and London Clubs and other institutions, whose influence now is rather essential and continues to grow under conditions when global «rules of the game» are far from being well defined and formalised. Just as TNC's they must be given a definite status under the aegis of the UNO (consultative or other) which will enable them not only to present and promote economic interests of certain groups but also to become full-fledged participants of the process of collectively creating global regulatory norms.

We see global cities, regions and knowledge-generating centres as certain elements of the GIS. Taking into account the fact that the present-day global development is accompanied by the intensification of the processes of regional economic integration, they can be regarded as point development centres: geographic — with reference to global cities and regions; and functional — for clusters and universities. At the same time, they are links between countries and centres of business, financial, productive and intellectual activities.

We emphasize the importance of such institutions as global mass media, institutions responsible for environmental protection, international non-governmental organisations and entities restraining military action. In our opinion they must obtain global status officially confirmed by the UNO and recognised by all countries of the world since they have a universal mission — to timely warn, prevent, identify global threats and inform the world community about them, as well as to take an active part in developing global regulatory mechanisms, norms and rules.

And at last we distinguish global infrastructure as a separate element of the GIS. There are numerous publications of respected western researchers and international organisations including the World Bank reports: «Building Institutions for Markets» (2002)<sup>51</sup> and «Steady Development in a Turbulent World. Institutional Development, Equity and Development» (2006)<sup>52</sup>, in which great attention is attached to disclosing the importance of infrastructure or promoting global economic development. Numerous empirical studies prove the importance of infrastructure in the process of countries', companies' and other market participants' gaining substantial competitive advantages. The introduction of global infrastructure will enable everyone to have equal access to social benefits and will provide collective responsibility norms and control of keeping them.

In our view, the global institutional system must be based on networked arrangement of power as a considerable concentration of economic entities on the global markets with the tendencies for the world population growth, the increase in resource consumption, etc, require taking prompt and flexible decisions and reducing administrative costs. Under the conditions of total

computerisation of social life networked entities and a horizontal principle of arranging the regulatory system are the most efficient.

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<sup>51</sup> World development report 2002 — building institutions for markets  
[http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187295&theSitePK=523679&entityID=000310607\\_20070525170356&searchMenuPK=64187295&theSitePK=523679](http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187295&theSitePK=523679&entityID=000310607_20070525170356&searchMenuPK=64187295&theSitePK=523679)

<sup>52</sup> World development report 2006 : equity and development  
[http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187295&theSitePK=523679&entityID=000160016\\_20060810171513&searchMenuPK=64187295&theSitePK=523679](http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187295&theSitePK=523679&entityID=000160016_20060810171513&searchMenuPK=64187295&theSitePK=523679)

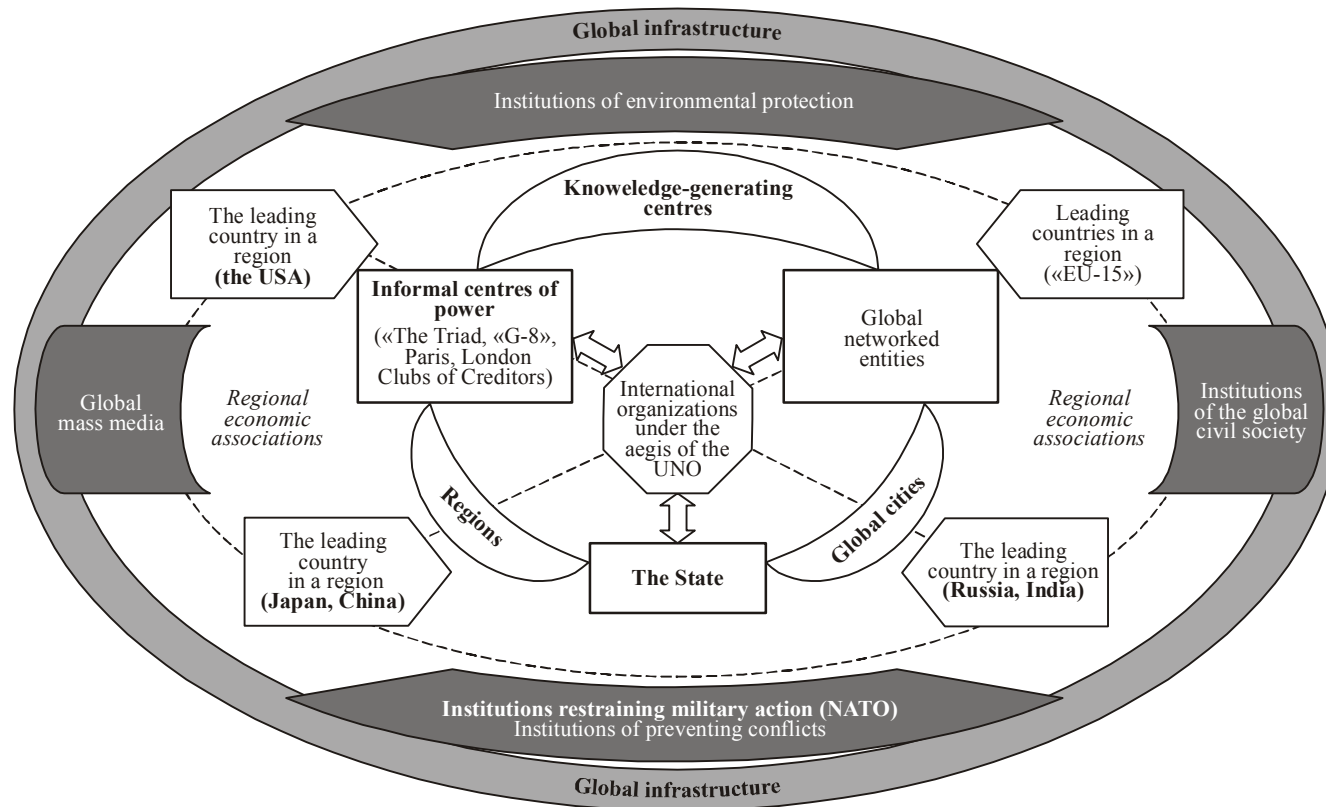


Fig. 1. The outline of a theoretical model describing the institutionalisation of global economic development in the situation of multipolarity.

Source: prepared by the authors.

## Conclusions

After analysing a wide range of theoretical and analytical papers by foreign researchers devoted to the essence of the notion of «global governance» and the problems connected with developing principles, tools and scenarios of the global institutional system development, as well as possible forms of institutional interaction among the global economy participants, we came to the following conclusions:

1. Accelerated globalisation of the world economy and deepening of regional integration processes in the world have led to disproportions in the global institutional system, which are evidenced by lack of harmony in the relations among the participants of international economic relations: disregard shown by advanced countries, cross-border networks, global organisations, other networked entities for conventional rules and norms of the contemporary system of international relations, «strong actors» imposing their own rules of the game on the rest of the world, the inability of international governmental organisations, as a unique element of supranational regulation, to provide a prompt and adequate response to international conflicts and disputes on the global level, and, on the whole, by the unacceptable degree of control in international relations.

2. Taking into account the present-day level of development of international relations, it is worth mentioning that now there exist substantial institutional prerequisites for a system of global governance. Its main elements are both the key participants of globalisation processes (the countries leading the world development, global corporations, trans national banks, «informal centres of power», various governmental and non-governmental organisations, consultative groups, etc.), and the corresponding set of tools (the international legal framework, decisions taken by global governmental organisations, international conventions, contracts, etc.).

3. The position of leaders in creating conceptual theoretical foundations for functioning of a future global governance system as a vital condition for further comprehensive development of the world economy and its institutional basis mostly belongs to representatives of the western civilisation. They initiated the development of numerous optimistic, realistic and pessimistic scenarios of the world order development, principles and criteria for assessing global governance, recommendations concerning the diversification of tools and methods used for building up and governing global processes. The conceptual theories are being tested both in certain spheres of social life and at various levels of the world economic system.

4. It is widely recognised that an important barrier on the way of building up a system of global governance is still the divergence of views of the leaders of countries concerning what direction this system should choose for its development, which methods and tools should be used for achieving its

goals, as well as different origins of the key players of the global economic development. Taking into consideration the above-mentioned arguments, there is no common approach to interpreting the concept of «global governance» in economic science, in treating this concept the dominant ideas are those which associate it with the global framework, a type of world government, procedures of collective management, common actions directed at decision-making, agents which create the official system of rules and norms, etc.

5. In addition to conventional tools of interaction among the participants of international economic relations — bilateral and multilateral agreements, commercial contracts, other norms of institutional law, some alternative mechanisms emerge (harmonisation, coercion, diffusion), as well as some types of institutional interaction (utilitarian, normative, ideological) and subtypes (subordinated, embedded, clustered, overlapping). In our opinion, given the turbulence of the global institutional environment and lack of coordination in the actions of its key players, further development of alternative forms and types of institutional interaction is inevitable, and it will offset the drawbacks of the conventional centre-oriented world order model and inability of the international law to provide a prompt and adequate response to change in the balance of power on the international arena.

6. We suggest a well-grounded theoretical model of institutionalisation of the global economic development in the conditions of its multipolarity, which reveals a systemic nature of ties between institutions of various levels and types and reflects the degree and hierarchy of functional and organisational competence assigned to key participants of the global economic system. Some weak points of this system have been revealed and proofs have been given of a necessity of its development and improvement through setting up new institutions, modernising the existing ones, as well as implementing more flexible and mobile tools, transparent methods of global economic co-existence, enhancing the functions of control and supervision over the main participants of the global market.

7. On the basis of the proposed theoretical model of institutionalisation of the global economic development the authors have described the key functional sets of competence belonging to counties, informal centres of governance, networked global entities, such institutions as global governance centres, international organisations under the aegis of the UN, knowledge generating centres, global cities and regions which are point centres of global development and at the same time centres of global networks coordinating this development. A special status in the system of UN international organisations has been acquired by institutions of the global civil society, the global mass media, institutions responsible for environmental protection.

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