



## REPORT ON WILTON PARK CONFERENCE WP966

### Delivering on Global Prosperity and Other Key Challenges: International Institutional Architecture for the 21<sup>st</sup> Century

16 – 18 March 2009

#### Introduction

The London Summit on 2 April marks a potential turning-point in making international institutions fit for the 21<sup>st</sup> century – but it is not clear how far-reaching its impact will be. The Summit affirms the status of the G20 as a forum to address institutional reform. While it may begin to lay the groundwork for an overhaul of the Bretton Woods institutions, it is far from guaranteed that even major reforms of the global financial framework will stimulate comparable progress in security cooperation, over climate change or on international law.

This uncertainty was reflected by participants at Wilton Park's conference on "Delivering on Global Prosperity and Other Key Challenges", devised to map out an institutional reform agenda beyond the London Summit. Two questions ran through the conference:

- ❖ **Is there a global constituency for a wide-ranging programme of international institutional reform?** Shows of hands early in the conference indicated that while almost all participants believed there to be a political constituency for reform in their home countries, only a quarter thought that there was an international consensus for reform. But when a further vote was taken at the end of the conference, half of the participants indicated that they now felt that a consensus for reform existed. It is possible that there is a global constituency for change, but that a lack of effective communication has stopped it cohering to date.

❖ **Is this a moment for ‘big bang’ reform across international institutions, or is a gradualist approach necessary?** A vote early in the conference showed the participants to be in favor of a gradualist reform programme. But, in the course of the discussions, it became clear that the case for gradualism in institutional reform rested on three underlying assumptions. First, participants distinguished between possibilities for dramatic reform in some institutions (notably the IMF) and more incremental progress in others (such as the Security Council). Second, successful reform of financial institutions may actually distract from other priorities, like climate change. Third, an effort to drive a wide-ranging programme of reform through an exclusive mechanism such as the G20 could be counter-productive: countries and blocs outside the G20 would be moved to resist change through bodies where they have considerable strength, such as the UN General Assembly.

The challenge facing the international community is not simply to choose between ‘big bang’ and gradualism in institutional reform. Instead, it is to pursue a reform programme that meets three diplomatic criteria:

- ❖ **Reforms must be connected across institutions.** It is necessary to move beyond a fragmented approach to reforms, by which innovation in one institution is disconnected from change in others. As the earlier introductory section of this report shows, international reform processes are becoming *more* fragmented during the current crisis – reducing the chances for bargaining across issue areas between states.
- ❖ **Reforms must be sequenced effectively.** While a ‘big bang’ reform of the international system may not be possible, it is possible to lay out a timetable of opportunities for reforming elements of the international system (such as the 2009 Copenhagen Summit on climate change and 2010 Non-Proliferation Treaty review conference) that should not

- ❖ **Reforms must be inclusive, in terms of both process and substance.** If an international institutional reform agenda is to have general credibility, it must meet two standards of legitimacy. In process terms, innovations need to be negotiated across relevant forums to ensure that all states contribute on issues affecting their interests. In substance terms, it is not possible to ignore 'hard' institutional reforms, like Security Council reform, in favour of developing new forums like the G20. A majority of states still see Council reform, and the UN system as a whole, as priorities and will not give up on them lightly. It is also important that reforms include non-state actors, including civil society and the private sector, and regional organisations.

Having reviewed these criteria for reform, this report concludes with a summary of specific recommendations from Wilton Park working groups on democratizing international institutions, prosperity and climate change, and international security.

### **1: Fragmented institutions → fragmented reforms?**

It is a cliché that globalisation requires a 'joined-up' response from international institutions. The UN and NATO cannot rebuild post-conflict countries without assistance from the IMF and World Bank, reducing carbon emissions is a matter for financial experts as well as environmental specialists, and so on *ad infinitum*. International cooperation works through networks of institutions - and effective international organisations require dynamic networks of states, not static 'architecture'.

While this conventional wisdom is broadly accepted, international cooperation across institutions often remains limited, and efforts to reform individual institutions suffer from being disconnected.

Progress in building individual institutions has even created tensions between them in some cases. Any history of international cooperation over the last decade would acknowledge the development of the International Criminal Court (ICC) and African Union (AU) as significant successes. Yet there is now tension between the AU and Western governments over the ICC's decision to indict President Bashir for war crimes. Some fear the indictment will destabilise Sudan. The AU's security focus and ICC's prioritisation of justice are justifiable in terms of each institution's remit, but incompatible in this case.

This is indicative of how international organisations have evolved since the end of the Cold War. There has been a great deal of institution-building, but it has been haphazard. No 'invisible hand' has guided institutions to achieve consensus on their priorities. Conscious efforts to impose greater coherence on the international system, notably the intensive negotiations running up to the 2005 World Summit, have mostly fallen short.

The economic crisis has created impetus for reform of the international financial institutions (IFIs). There is a risk that this will weaken rather than strengthen momentum for change in other areas. Prior to the financial crisis, it was common to argue that the renewal of IFIs must be linked to 'green growth' and fighting climate change. But, this link has weakened as governments and the private sector have focused on prosperity.

While participants argued that a focus on climate change is essential, they were able to imagine (and some endorsed) IFI reform without a significant environmental component. They were skeptical that IFI reform can stimulate innovation in security institutions like the UN Security Council. Many concurred that "the IFIs needed a financial crisis to reform, and security institutions will need a security crisis to do so."

Some were optimistic that, while there might not be direct links between reform processes, it might be possible to engender a general trend in favour of improved institutional cooperation. If the international community commits to more effective regulation of the financial sphere, it might also commit again to the rule of law in security affairs, for example. Such links are uncertain: for example it was argued that the United States obeyed World Trade Organisation rules fairly consistently in 2003 but still invaded Iraq without UN approval.

Unless there is a decision by the international community to link IFI reforms to a wider renewal of the international system, there are risks institutional reform processes will continue to be disconnected, and IFI reform, if successful, will reduce the time and energy devoted to reforming other organizations. Is a more holistic path possible?

## **2. Constant summitry → sequenced reforms?**

If international cooperation was measured by the quantity of summits and conferences alone, the world seems to be well on the way to global governance. Looking ahead from the London Summit, there is an astonishing array of inter-governmental conclaves ahead. Immediately after the Summit, many of the leaders involved will convene again for NATO's sixtieth anniversary summit.<sup>1</sup> Within weeks, representatives of most (but not all) of the international community will meet in Geneva for a review of the UN's Durban Process on racism. In June heads-of-government from the G8, the 'Outreach 5' and a number of other governments will be in Rome to confer in a variety of combinations.

Looking further ahead, and leaving aside the usual panoply of UN, G8 and regional meetings, there are a number of major conferences on the horizon. 2009 will conclude with the Copenhagen Summit on climate change. During

2010 the Millennium Development Goals (MDGs) review summit and the Non-Proliferation Treaty (NPT) Review Conference will take place. In 2011, a significant outcome of the 2005 round of UN reforms will come under scrutiny in an inter-governmental review of the Human Rights Council.

This cavalcade of summitry highlights the fragmentation of international institutional reform processes. While the G20 will bring together Western governments and emerging powers to discuss economic issues, the Durban Process has underlined major rifts between the West and developing world on human rights issues. The exact purpose of the G8 meeting, coming soon after the G20, will increasingly be questioned.

Worse still, many of the major summits on the horizon risk partial or total failure. The growing disjuncture between economic concerns and climate change diplomacy gave rise to concern over what can be achieved at Copenhagen this year. Similarly, badly constricted budgets among donor nations reduce the chance of a positive review of the MDGs next year (not least on MDGs connected to climate change). Diplomats gathering for the NPT Review Conference will be all too aware that the last such meeting, in 2005, was a write-off.<sup>2</sup> International cooperation will suffer if the forthcoming round of summits results in a series of disappointments and/or public rows.

Nonetheless, this timetable of summits may also hold out the prospect of sequencing international institutional reform initiatives in a way that overcomes fragmentation. It is necessary to distinguish between two types of inter-governmental meeting: narrow discussions of policy in specific areas, such as the NPT Review Conference and summits with broader agenda that allow leaders to address cross-cutting agendas. Participants agreed that the G20 format is useful precisely because it favours the second form of meeting, but it is problematic if this alienates governments outside it.

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<sup>1</sup> An Extraordinary Session of the UN General Assembly on "The World Financial and Economic Crisis and Its Impact on Development" precedes the G20 meeting.

<sup>2</sup> Participants noted that U.S.-Russian talks on nuclear reductions may provide a better context in 2010.

In sequencing future inter-governmental meetings, it is therefore necessary to develop the G20 format as regular forum for political consultations (described as a “pre-negotiation forum” to distinguish it from policy-specific forums and processes); and balance the G20 process with inclusive inter-governmental meetings, probably at the UN.

While heads-of-government descend on the UN for the launch of each new General Assembly session in September, these occasions rarely lead anywhere. A more promising mechanism for inclusive discussions is to expand the proposed MDG review summit in 2010 into a broader summit on international institutional reform – although this should not distract from debate around problems affecting the MDGs themselves. The 2005 World Summit was set up on a similar basis, but at a political moment that did not favor reform. Next year, it might be possible to harness the G20 and UN processes more effectively, sequencing G20 and MDG summits to ‘direct the traffic’ of reform.

However skillfully governments sequence their interactions, they will still have only limited control over events. The last year has shown how unexpected shocks, from climate events distorting food chains to corruption scandals in New York shaking the markets, can throw governments off balance. More positively, it is likely that initiatives to restore prosperity and normality will emerge organically from the private sector and communities: “messy problems require messy solutions”, as one participant noted.

Nonetheless, recent experience has also shown how important it is for governments and international institutions to demonstrate confidence and strategic purpose during a crisis. These are essential for public trust in the domestic and international political systems. A well-sequenced international institutional reform agenda cannot resolve the economic crisis, and looming security challenges, in its own right. But, it can provide reassurance that the international community will not retreat into protectionism and isolationism.

### 3. Converging reform processes → consensual priorities?

There will be little point in aligning international reform initiatives in process terms if there is not also convergence on the substance of a core set of reforms. Most participants (including those from non-G20 states) agreed that, with IFI reform the top priority, the G20 should give the lead on financial issues. But, a majority of those present argued that further reforms should not only be *discussed at the UN* but involve *change at the UN*. There was also strong support for initiatives to strengthen regional organisations.

The working group on “democratising global governance” argued that the 2010 UN Summit should prioritise Security Council reform in addition to the MDGs – aiming for at least an interim arrangement involving a tier of ‘semi-permanent’ Council members, based on options already analysed in depth prior to the 2005 World Summit.<sup>3</sup> Governments should also introduce measures building on Chapter VIII of the UN Charter, which recognises the role of regional security arrangements.

### Conclusions

The Wilton Park discussions identified four tracks for international institutional reform:

- ❖ **Democratizing IFIs while using the G20 to drive change within them.** Participants emphasised that it is necessary to rebalance voting (and borrowing) rights in the IFIs to reflect a shifting global balance of economic power, with the IMF as the priority. Participants supported the G20’s role as a motor for change outside the IFI’s formal structures although they underlined that poorer states (especially in Africa) should be consulted on reform. Economic reform plans must still take the climate change threat seriously.

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<sup>3</sup> UN-watchers will recognise this as the High-Level Panel’s “Option B” for Council reform.



- ❖ **Balancing representation and results at the UN.** While reforming the Security Council is central to international institutional reform, it will be a wasted effort if powerful states do not reinforce the UN's capacities for crisis management and conflict management; tie crisis management work to IFI activities more effectively through mechanisms such as the Peacebuilding Commission; and reaffirm their commitment to the rule of international law.
  
- ❖ **Strengthening the response of regional organisations to globalisation.** Regional security cooperation has gathered pace (for example, the AU's role in peacekeeping) and there is a growing emphasis on regional cooperation to manage the effects of climate change. But, there is a need to strengthen regional organizations' response to globalisation by better coordinating the efforts of IFIs, regional development banks, regional organizations and the UN system.
  
- ❖ **Continuing to involve non-state actors in international institutions.** From the role of the private sector in tackling climate change to that of NGOs in international human rights, non-state actors are essential to international institutional cooperation. During a crisis, it is tempting for governments to exclude such external actors from their discussions. But if the international community is to remain accountable and effective in revitalizing prosperity and international justice, it is crucial to keep non-state partners involved.

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Wilton Park Reports are brief summaries of the main points and conclusions of a conference. The reports reflect rapporteurs' personal interpretations of the proceedings – as such they do not constitute any institutional policy of Wilton Park nor do they necessarily represent the views of rapporteurs.

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## **ANNEXE**

### **Summary of Working Group Recommendations**

#### ***Democratising Global Governance***

1. Of the IMF and World Bank/IBRD. The G20 should take a lead in reshaping governance/shareholding, reflecting the new balance of global economic order. To do this, the G20 should set up an open-ended working group on IFI charter reform.
2. At the UN, states should focus on the 2010 MDG review summit as an opportunity for Security Council reform, based on a system of new 'semi-permanent' seats.
3. The UN General Assembly and Security Council should launch initiatives to strengthen the role of regional organisations under Chapter VIII of the UN Charter.
4. The UN should expand interaction between its inter-governmental bodies (especially the Peacebuilding Commission and ECOSOC), and NGOs and civil society.
5. Member-states should also set up dialogue mechanisms to address the values and concepts (democracy, accountability, Global Public Goods) underpinning UN action.

#### ***Safeguarding Global Prosperity, Sustainable Development and Climate Policy***

1. Base the new system of voting in IFIs on a dynamic formula incorporating sustainable economic factors.
2. Invite all IFIs to make climate policy a regular feature in their crisis responses and advice, and improve the capacity of the IFIs to provide such advice.
3. Mandate the IMF and Financial Stability Forum to publish and continuously update an assessment of global financial risks, and give early warning of new risks, based on improved national level regulation.

4. G20 Finance Ministers and Central Bankers should be mandated to report publicly on emerging global imbalances.
5. To fight protectionism, IFIs should monitor performance on G20 commitments in key sectors (labour mobility, currency, finance, industrial tariffs, etc.) and regularly report back to the G20.

### ***Protecting People and States***

1. Persuade the Permanent 5 members of the Security Council to demonstrate sustained commitment to a rules-based international system.
2. Encourage all states to commit to the rule of law and respect for human rights at the national level, as well as further civil society engagement in this area.
3. Encourage progress under all three pillars of the NPT at the 2010 review conference, in particular progress to nuclear disarmament under Article VI of the NPT and renewed commitment to the 'thirteen steps' agreed at the 2000 review conference.
4. Strengthen preventive capabilities at the UN (including those relating to the Responsibility to Protect) and make full use of the Peacebuilding Commission, in part by linking the revitalisation of IFIs to their engagement with the Commission.
5. Strengthen the rapid response capabilities of the UN by establishing a special Quick Reaction Budget and earmark national resources for emergency military deployments; reinforce NATO and EU logistics and training support to UN and AU.
6. Address the decisive impact of a perception of double standards in the Middle East at the UN.