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**GOVERNING GLOBALISATION AND THE ROLE  
OF THE WORLD TRADE ORGANIZATION**

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## ABSTRACT

The globalisation process has eroded state sovereignty, producing a contradiction between market and civil society dynamics (that tend to become global) and resistance from nation-states (that remain national). In other words, markets have gained the upper hand over politics. Two opposing projects are confronting with each other in the challenge to govern globalisation: the federalist, which advocates the globalisation of political power and democracy, and the nationalist that pursues the return to the nation-states.

The World Trade Organization (WTO), established in 1995 to liberalise world trade, should be made compatible and consistent with the principles of equitable and sustainable development, addressing issues such as labour rights, consumer, health and environmental protection, tax evasion and elusion. Constitutionalising and democratising the WTO is the way to transform this organisation into the building block of a new global architecture. The judiciary body, established to solve trade disputes, is the first step in a process leading to the introduction of global taxes to finance global public goods and towards creating an Economic Security Council and a Parliamentary Assembly.

The EU is an institution that governs an international economy and can act as a model and engine of the WTO's reform in the direction of constitutionalising international relations and international democracy.

**Keywords:** Globalisation, World Trade Organization, Global Governance, EU, Parliamentary Assembly

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## **TABLE OF CONTENTS**

### **1. The Contradiction between Global Market and National States**

**1.1. The Birth of a Neologism**

**1.2. How to Grasp the Sense of Globalisation**

**1.3. The Stages of Development in the Mode of Production and the Enlargement of Political Communities**

**1.4. The Enlargement of the Dimensions of the State and the Peace Process**

**1.5. Neoliberalism, the Erosion of State Sovereignty and the Myth of Self-regulated Markets**

**1.6. The Search for a New World Order and the Clash between Nationalism and Federalism**

**1.7. From Global Governance to Global Government**

**1.8. The Limits of the Intergovernmental Paradigm**

**1.9. Glocalisation, New Medievalism and Multi-level Governance**

**1.10. The WTO, a Building Block of a New Global Architecture**

### **2. Constitutionalising and Democratising the WTO to Govern Globalisation**

**2.1. The Establishment of a Judiciary Body, a Step on the Way to Constitutionalising International Relations**

**2.2. Negative and Positive Integration**

**2.3. Reforming the International Monetary System**

**2.4. The Introduction of Global Taxes to Finance Global Public Goods**

**2.5. An Economic Security Council**

**2.6. A WTO Parliamentary Assembly**

### **3. The EU as the Driving Force of WTO Reform**

**3.1. The European Union as an Unaccomplished Form of Statehood at International Level**

**3.2. An EU Initiative**

## 1. The Contradiction between Global Market and National States

### 1.1. The Birth of a Neologism

The word globalisation is reported for the first time in the 1961 edition of the *Webster International Dictionary*.<sup>1</sup> In 1960 Marshall McLuhan<sup>2</sup> coined the famous expression “global village”, that since then has been widely used and has become part of the common language. From then onwards, the word globalisation has enjoyed increasing success.

The social sciences took into consideration and analyzed the phenomenon later. A chapter of George Modelski's book *Principles of World Politics*,<sup>3</sup> published in 1972, is titled “globalisation” and the concept is used as a key to explain world politics. The use of the word in the context of the economy is reported for the first time in 1983 in an article by Theodore Levitt, editor of the *Harvard Business Review*, titled “The Globalization of Markets”.

The fact that scientific debate on the globalisation process began in the context of political science earlier than in that of economic science shows how insubstantial is the mainstream opinion that globalization is primarily a phenomenon of economic nature. The adoption of the political approach seems indispensable not only to a full understanding of the phenomenon, but also for governing it.

What Modelski's analysis shows is an elementary, but often unrecognized, fact: globalisation is an integration process between national societies that brings about the formation of a global civil society and a global market. As a consequence, the tendency towards globalisation of politics has developed and a world system of states has taken shape to give an answer to the problem of the world order. The answer to the problem of governing globalisation cannot come from either the economic or the sociological approach. In fact, if globalisation is a historical process that creates a global market and a global civil society, only politics (along with law) can create the institutional conditions which can ensure the power and the norms for regulating it.

### 1.2. How to Grasp the Sense of Globalisation

In one of the most successful outlines of contemporary history, Eric Hobsbawm asserts that globalization represents the most “significant transformation” of the past century. “Between 1914 and the early 1990s the globe has become far more of a single operational unit, as it was not, and could not have been in 1914. [...] Notably in economic affairs the globe is now the primary operational unit and older units such as the ‘national economics’, defined by the politics of territorial states, are reduced to complications of transnational activities.” And yet, in spite of the prestige which Hobsbawm’s work enjoys, the sense of the globalisation process remains, in the eyes of its author, indecipherable. The conclusion which he reaches at the end of his book is disappointing. “The Short Twentieth Century ended in problems, for which nobody had, or even claimed to have, solutions. As the citizens of the *fin-de-siècle* tapped their way through the global fog that surrounded them, into the third millennium, all they knew for certain was that an era of

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<sup>1</sup> New York, Simon & Schuster, 1961.

<sup>2</sup> M. McLuhan, E. D. Carpenter, *Exploration in Communication*, Boston, Beacon Press, 1960, p. XI.

<sup>3</sup> G. Modelski, *Principles of World Politics*, New York, The Free Press, 1972, pp. 41-57.

history had ended. They knew very little else”.<sup>4</sup> These sentences are the tacit admission of having failed in the achievement of the highest task of historiography, i. e. to exhibit the general tendency of contemporary history.

Since the future grows out of the past, the history of the past should give rise to a forecast concerning the future. It is worth recalling that a great British historian, John Robert Seeley, argued that “We study history that we may be wise before the event”. Consequently, the event “will be the result of the working of those laws which it is the object of political science to discover. [...] The students of political science ought to be able to foresee, at least in outline, the event while it is still future”<sup>5</sup>. The explosion of the literature on globalisation illustrates various attempts to renew political theory, in order to adjust it to the novelty of the phenomenon. It will be the task of a new generation of scholars to help us to understand the nature of globalization and to renew the studies in world politics. The globalisation process is a deep change that upsets our lives and has an outstanding significance as regards our future. And yet we do not know if the concepts we use to grasp its nature and implications are sufficient to master the phenomenon intellectually and politically.

Investigation makes progress by dividing and subdividing the ground. An old saw says: *Qui bene distinguit, bene docet* [He, who distinguishes well, teaches well]. Therefore, the starting point of this investigation is what seems to be the fundamental contradiction brought about by globalisation, i.e. the contradiction between the dynamics of market and civil society (that develop the tendency to become global) and the resistance opposed by the states (that remain national). The important topics that stem from that hypothesis shall be treated separately. If we are committed to disperse the fog surrounding globalisation, first we should try to single out criteria to understand it and then identify the means to govern it.

### **1.3. The Stages of Development in the Mode of Production and the Enlargement of Political Communities**

Before laying out in detail the question of governing globalisation, it is worth devoting a preliminary reflection to the choice of the theoretical lens that is used here in the study of globalisation. The concept of mode of production, adopted by historical materialism as the key to the interpretation of history, enables us to identify the most general law of the becoming of human societies. More precisely, the mode of production, since it creates the material and cultural environment in which states and international relations are immersed, enables us to specify the impact of the structures of production on the political structures. In the body of Marxist thought it is possible to isolate the core of a scientific theory – historical materialism – that allows to know (more precisely, to describe, explain and forecast) a significant part of the historical and social reality. The explanation of historical and social facts presupposes a theory, that is to say a set of uniformities typical of empirically-observable behaviours. These uniformities are constructed through an abstraction procedure that isolates some elements, from within the inexhaustible multiplicity of empirical data, and coordinates them in a coherent framework. The

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<sup>4</sup> E. Hobsbawm, *Age of Extremes. The Short Twentieth Century. 1914-1991*, London, Abacus, 1995, pp. 558-9.

<sup>5</sup> J. R. Seeley, *The Expansion of England*, London, MacMillan, 1909 [1883], pp. 196-7.

result of such a procedure of abstraction, which Max Weber called 'ideal type,' does not coincide with reality, but it is the indispensable instrument for assessing its significant aspects with regard to the viewpoint the researcher has adopted. The scientific core of historical materialism can be included, according to Weber, in the methodological context of contemporary historical and social sciences and be considered as an 'ideal-type' concept. Weber explicitly recognised that "Marxian 'laws' and developmental constructs – insofar as they are theoretically sound – are ideal types. The eminent, indeed unique, heuristic significance of these ideal types when they are used for the assessment of reality is known to everyone who has ever employed Marxian concepts and hypotheses."<sup>6</sup>

The fundamental assumption of historical materialism is that the first condition of human history consists of concrete individuals producing their means of subsistence through which they satisfy their basic physical needs. If we utilize this conception of history as a "simple, albeit fruitful, canon of historical interpretation" (this expression was coined by Benedetto Croce),<sup>7</sup> the type of determinism exercised by the mode of production is not conceived as the sole factor influencing the nature of political, juridical, cultural and other social phenomena. According to this explanatory scheme, determinism does not proceed only in one direction (economic determinism), but is compatible with the mutual influence of political, juridical, cultural and social factors on material production. For instance, Max Weber, who defined historical materialism as a fruitful ideal type that can orient the work of social researchers, in his works on the sociology of religion highlighted how a cultural factor – the ethics of religions – influenced the evolution of the economic systems.<sup>8</sup>

If we accept the idea of a mutual influence between the different factors that contribute to determine the course of history, we can consider the mode of production as the factor which exerts a decisive impact on the structure and the dimension of the state and international relations (Charles Kupchan).<sup>9</sup> More specifically, a relationship can be established between the mode of production and the state dimension, in particular between the agricultural mode of production and the city-state, between the first phase of the industrial mode of production (utilization of coal and the steam-engine) and the nation state, between the second phase of the industrial mode of production (utilization of electricity, oil and the internal combustion engine) and the state of dimensions as big as entire regions of the world. With the scientific revolution of material production (and the revolution in telecommunications and transport) a World Federation becomes possible. There is, therefore, a specific relationship between the globalisation process, which is nothing more than an economic and social integration process on a world scale, and the scientific mode of production. This process, as slow as its evolution may be, creates the economic and social basis for the formation of a global market, a global civil society and global forms of statehood.

It is important to specify that the processes of European unification and globalisation belong to two different historical epochs and to two different phases in the evolution of the mode of production: the second phase of the industrial mode of production and the scientific mode of

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<sup>6</sup> M. Weber, *On the Methodology of the Social Sciences*, Glincoe, IL, Free Press, 1949 [1903-17], p. 103.

<sup>7</sup> B. Croce, *Historical Materialism and the Economics of Karl Marx*, London, Allen & Unwin, 1914 [1900], p. 65.

<sup>8</sup> M. Weber, *The Protestant Ethic and the "Spirit" of Capitalism and Other Writings*, New York-London, 2002 [1905].

<sup>9</sup> C. Kupchan, *The End of the American Era*, New York, Knopf, 2002.

production respectively. The very changes that made great political unions possible make states that retain the old dimensions insignificant and outdated. Just as national states after the Second World War were destined to decline and be reduced to the status of satellites of the two superpowers, states like the United States and Russia, whose dimensions were once considered gigantic, are now declining under the thrust of globalisation that is eroding their sovereignty.

From the examples illustrated above, to claim that the state is conditioned by the mode of production does not however mean that the latter lacks a relative autonomy and that it has an insignificant role in determining the course of history. What else but political autonomy can explain the formation of the Roman Empire in a phase of history in which the agricultural mode of production did not allow the construction of well-organised states larger than a city and the surrounding territory? After having defeated all of its enemies, Rome in fact became an empire that covered nearly the entire known world at the time. It is thus a political-military factor – the power acquired by Rome –, which met no appreciable resistance by the other states, that explains the dimensions assumed by the Roman Empire. It must be emphasised however that Rome managed to govern, from a single centre, a territory so vast that the internal divisions and the pressure of other populations at its borders did not cause it to break up.

But it is also the autonomy of politics that explains the survival of city-states like San Marino, Monaco and Andorra, which are UN member states in an epoch in which the state tends to assume macro-regional dimensions. These examples illustrate the resistance shown by political institutions to change. Nevertheless, we should not forget that conserving old forms of political organisation has a price: decline and subordination to states having another scale of magnitude.

The most significant aspect of globalisation concerns the sphere of politics, and consists in the contradiction between a market and a society that have acquired global dimensions, and a system of states that has remained national. Globalisation produces an ever deeper contradiction between the development of the forces of production that are going to unify the world, and the state, the organized power that should govern it and ensure that general interests prevail over the private ones. In other words, globalisation is unifying the world structurally while politics, still dominated by the idea of nation, keeps it divided at a super-structural level, which is where political decisions are taken. The state structures are subjected to a strong strain, which shows the need to adapt their dimensions to the requirements of the new mode of production.

Those who maintain that globalisation is not a new fact, but the evolution of a long term process that started with American conquest (e.g. Immanuel Wallerstein),<sup>10</sup> consider this concept equivalent to other more generic ones like “interdependence” or “internationalization”. These are terms designating a process that greatly increases and intensifies the relations between states and peoples of the planet; but it still is a process governed by the states, which remain the exclusive protagonists of international politics and dominate the international arena through imperialism and colonialism. In other words, their sovereignty is not subject to appreciable limitations by an increased interdependence.

The nature of globalisation is different since it is not a mere quantitative increase of social relations and exchanges at world level. It is instead a qualitative change rooted in the scientific

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<sup>10</sup> I. Wallerstein, *The Modern World System*, 3 vols, New York, Academic Press, 1974, 1980, 1988.



revolution of material production, and it creates, alongside the national societies and markets, a global society and a global market. Globalisation is a process that escapes states' control, limits their ability to act and dents the essential character of their structure and functions.

#### **1.4. The Enlargement of the Dimensions of the State and the Peace Process**

The process of broadening the dimensions of the state illustrated above, which developed as a consequence of the great turning points in the evolution of the mode of production, is also a peace process among ever larger groups of human beings. The evolution of the mode of production is a blind force that constantly broadens the dimension of the social relations until unifying mankind. The enlargement of the dimension of the state is the political response to the need for governing this process. It is a true process of civilisation in the course of which, through the law and the state, human societies expel violence from social relations by constructing ever larger political communities. Since state borders are also the borders between war and peace and between law and anarchy, the progressive broadening of the dimension of the state shifts war (in the mists of time tribal warfare) first to the borders between cities, then nations, then great regions of the world. We can formulate the hypothesis that the last stage of this process will be World Federation, which will make it possible to achieve the Kantian design of perpetual peace.

Kant defined peace as that situation that does not seek “merely to stop one war”, but “seeks to end *all wars forever*”.<sup>11</sup> Peace is not merely “the suspension of hostilities” in the period between two wars (negative peace).<sup>12</sup> “The state of peace [is not] a natural state”, but is something that “must be *established*” through the creation of a legal order and guaranteed by a power above the states (positive peace).<sup>13</sup> Defining peace as the political organisation that makes war impossible, Kant rigorously identified the dividing line that separates peace from war, and placed truce (i.e. the situation in which the threat of renewed hostilities remains even though they have provisionally ceased) in the field of war. For Kant the fundamental condition of peace is thus the law, or better the extension of the rule of law to all social relations, particularly to the sphere of international relations. In other words, the peace process is a process of constitutionalisation of international relations.

#### **1.5. Neoliberalism, the Erosion of State Sovereignty and the Myth of Self-regulated Markets**

Owing to the contradiction between globalisation of market and civil society and the national dimension of states, a vast movement of ideas arose, which asserted itself, not only in economic thinking but also in policymaking, after the accession to power of Margaret Thatcher (1979) and Ronald Reagan (1980): neo-liberalism. The dominant belief is that the invisible hand of the market works in the interest of society, brings order to economic activity and therefore it does not need any public regulation. Any interference in market mechanisms is rejected. The market looks like a self-regulating mechanism that does not need any government intervention. The free play of market forces promotes the universal spread of wealth, freedom and peace. The globalization era

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<sup>11</sup> I. Kant, *Perpetual Peace and Other Essays*, ed. by Ted Humphrey, Indianapolis, Hackett, 1988 [1795], p.117.

<sup>12</sup> *Ibid.*, p. 111.

<sup>13</sup> *Ibid.*

marks the withering of the state and politics. Therefore, this doctrine has been named “market fundamentalism”. The leaders of market fundamentalism did not simply abandon control over market mechanisms, but practiced also an active deregulation. In this way, they abdicated their responsibility to regulate the market and civil society. The consequence was the triumph of economic and social potentates, financial and economic crisis and the spread of violence of organized crime and international terrorism. The austerity policies have failed, since they have brought about a slow down of growth, a reduction in public expenditure, an increase of inequality and an erosion of the Welfare State.

In spite of the above-mentioned problems caused by unregulated globalisation, we cannot ignore the benefits of globalisation, i.e. the fall in transport and communication costs, the lowering of tariffs barriers and technological progress, first of all the internet, which has drastically cut the costs of transmitting information and facilitated international financial transaction and trade. Moreover, it is to be underlined the integration of the emerging countries in the global market and their accession to WTO.

The financial and economic crisis has unquestionably shown the flaws of a lack of government and coercive rules to combat the abuses committed by the speculators, whose only concern is profit. Joseph Stiglitz in 2008 argued that “the fall of Wall Street is to market fundamentalism what the fall of the Berlin Wall was to communism”.<sup>14</sup> But while the fall of the Berlin Wall brought about a regime change and a downsize of the former communist countries, the fall of Wall Street did not downsize the power of financial oligarchies and the world market continues to be left at the mercy of speculators. The fact is that the economic order implies rules and a government, i.e. a political order. Without strong global institutions and rules, globalisation cannot be regulated. It is worth recollecting that more than two centuries ago Adam Smith<sup>15</sup> emphasized that the orderly working of market mechanisms is not only the result of the spontaneous weave of social relations. It requires public goods provided by the state, such as national defense, law and order, money and public works. In the contemporary world, this list has been extended with the inclusion e.g. of income redistribution and antitrust policies.

Economic forces alone cannot generate the social cohesion necessary to make the market work. Only the state can shape the market order that ensures that laws are obeyed within the state’s territory. Lionel Robbins observed that the market is an institution needing “a mechanism capable to defend law and order. But whereas this mechanism, if imperfect, exists *within* nations, there is no similar mechanism functioning *on the international plane*.”<sup>16</sup> Therefore, he defined anarchists as those who believe in a spontaneous harmony among the market actors and came to the conclusion that, to govern the world market, there is need for political institutions that perform the same functions at international level as the state performs towards the national market, i.e. a World Federation. This logical conclusion has a weak point nevertheless. It does not explain how it has been possible, ever since the 19th century, to establish an embryonic form of world market without world government. Scholars of international political economy – a new

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<sup>14</sup> J. Stiglitz, “The Fall of Wall Street is to Market Fundamentalism what the Fall of the Berlin Wall was to Communism”, Interview to Nathan Gardels, *The Huffington Post*, September 16, 2008, p. 1.

<sup>15</sup> A. Smith, *An Inquiry into the Nature and Causes for the Wealth of Nations*, London, Methuen & Co, 1904 [1776], book 5, chap. 1.

<sup>16</sup> L. Robbins, *Economic Planning and International Order*, London, Macmillan, 1937, p. 240.

branch of economic studies – have pointed out that, in certain periods of history, hierarchies of power develop in international relations between states that perform the task of ensuring a relative international economic order, albeit with the precariousness and mutability typical of international relations. The role of the navy and the monetary and trading hegemony of Great Britain ensured the cohesion of the world market during the nineteenth century and the corresponding role was played by the United States during the twentieth century.

This means that “a hegemon is necessary to the existence of a liberal international economy”, as argued by Robert Gilpin.<sup>17</sup> The theory of “international public goods without international government”, elaborated by Charles Kindleberger, shows that the functioning of the international market requires a “stabilizer”,<sup>18</sup> a hegemonic power that guarantees that the international actors comply with common rules. This means that the dominant power exercises a military function, which assures a minimum of international order, and an economic function, which provides an international currency and the rules for international trade.

The analysis of the relations between market and state makes it possible to come to a general theoretical conclusion that enables us to more clearly discern the respective roles of the economy and the mode of production. The economy is governed by politics, but the mode of production is the factor that determines, in the last instance, the course of history, despite the resistance offered by politics and economics. On the other hand, both politics and economics have relative autonomy as regards the mode of production and represent essential elements for the functioning of the system of production.

As a concluding remark of this survey of the relations between state and market, it is to be noted that, in the transition period we are living in, real power has abandoned its institutional seats, as the large financial groups have subjugated the real economy to their own interests, while the economy has gained the upper hand over politics.

### **1.6. The Search for a New World Order and the Clash between Nationalism and Federalism**

As we gradually move into the globalisation era, we realise that we have come to the end of an historical cycle: the bipolar world order formed at the end of the Second World War. However, the end of the Cold War has not led, for the time being, to the formation of a new world order, or the establishment of new rules of international coexistence, or even of a real leadership role in international politics by the new protagonists of the world economy and politics, the BRICS countries. Today, there is no emerging hegemonic power that could even aspire to replace the US in its role of world banker and gendarme. None of the emerging countries is so strong as to pursue world hegemony. If history confirms this trend, we will be able to assert that the Cold War was the last old-style conflict, i.e. a struggle for world hegemony.

Unlike previous cycles of world politics, in which dominance organised around the hegemony of a single major power (first Britain and then the United States) assured world order, today there is an ongoing process of distribution of power among a plurality of global players. A lesson that can be drawn from the history of international relations is that the proper functioning of a system of

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<sup>17</sup> R. Gilpin, *The Political Economy of International Relations*, Princeton, Princeton University Press, 1987, p. 88.

<sup>18</sup> C. P. Kindleberger, *The International Economic Order*, New York, Harvester Wheatsheaf, 1988, chap. 9.

rules depends on the balance of power among the players in the system of states: if a dominant power forms, it can allow itself to have no respect for the rights of the other nations.<sup>19</sup> The evolution of world politics shows that, after the bipolar system of the Cold War and the unipolar system – which formed after the collapse of the Communist bloc – the world balance of power is moving towards multipolarism.

But this trend is not enough to ensure an evolution on the way towards a peaceful global order. For the time being, no agreement on shared rules of the game has been achieved. Therefore, two contradictory tendencies are clashing: nationalism and federalism.

The scientific revolution and globalisation are unifying the world on the structural plane, while political culture – still dominated by the idea of nation – divides the world on the superstructural plane, that is the ground where political decisions are made. While globalisation is dragging all people in the same direction, national ideology divides them and maintains the unequal distribution of wealth and power between the peoples and prevents a rational government of the world.

Politics faced with the test of regulating globalisation shows a confrontation between two alternative projects. The federalist one proposes to globalise political power and democracy, the nationalist one pursues the return to nation-states. Therefore, the operational framework of the dividing line drawn at Ventotene between reactionary and progressive forces, i.e. between nationalism and federalism, has become the world<sup>20</sup>.

On the one hand, there are the old nation-states that are an obsolete form of political organisation, as shown by the EU, the most significant attempt, so far unaccomplished, to overcome them. However, the nation-states represent a level of government that can be used to embank ethnic nationalism and secessionist movements that are active in almost all the existing nation-states.

On the other hand, there are the macroregional states that replace the nation-states as leaders in world politics. They are the building blocks of the emerging new global order, i.e. the successors of the leaders of the Cold War – the US and Russia – the emerging protagonists in world politics and global economy – the BRICS – and regional organisations – such as the EU, the most advanced unification experiment in the world, which is supposed to evolve towards a federal arrangement –. All these new actors in international politics, except the EU, still belong to the Westphalian world and are reluctant to recognise any supranational authority. They are proud of their own identity and independence. While eager to assert their influence in the world, they are nevertheless involved in regional integration processes – the US in NAFTA, Russia in the Eurasian Economic Community, Brazil in Mercosur, India in SAARC, China in the economic agreement with ASEAN, South Africa in the African Union.

Globalisation is weakened by nationalism, that is re-emerging everywhere in the world, by the mass reaction against the global elites, by the failure of neo-liberal ideology that has proved unable to govern globalisation, as shown by the financial and economic crisis. Failing a clear vision

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<sup>19</sup> See L. Oppenheim, *International Law*, London, Longmans, 1905, vol. I, p. 13.

<sup>20</sup> A. Spinelli and E. Rossi, *The Ventotene Manifesto*, Genova-Ventotene, Ultima spiaggia, 2016, p. 35.

of a new political world order and a new economic and social model, the ideas that prevail are nationalism on the political plane and protectionism on the economic plane, i.e. the temptation to return to the past. The evils of a lawless world – violence and authoritarianism – return with a systematic disregard for established international rules intended to check international violence and to regulate globalisation. The deepening of economic and social inequalities generates new violence and decline of moral values.

The EU is facing a disintegration process as well. However, it is an example of how nation-states can change their way of settling disputes, by moving from power politics to the rule of law. Violence, as an instrument for inter-state conflict resolution, has been abandoned and replaced by a mutually agreed legal order. European unification is a process of constructing peace through a progressive constitutionalisation of inter-state relations. Since the EU has been successful in harmonising the economy of 28 countries, it can become the vanguard of a process leading to the government of globalisation. The European model is based on the marriage between market economy, welfare state and supranational integration. It is a model that seems to be adapted to face the needs of a globalised world.

The only alternative to the chaos into which the world is sliding is to construct a polycentric world order without hegemonies and to look to the existing international organisations – primarily the United Nations – for agreed solutions to the crisis. Lacking a dominant power, cooperation between the protagonists of world politics has to become the new leading tendency of the emerging world order. This seems the only way to re-establish the primacy of politics over global finance, multinational corporations and the other non-state actors, criminal and terrorist groups included.

### **1.7. From Global Governance to Global Government**

All global challenges (nuclear proliferation, climate change, international terrorism, the financial crisis, the eradication of poverty, etc.) can be faced only through cooperation within the framework of international organizations. This means that founding the international order on law and constitutionalising international relations is the only way leading to the overcoming of the asymmetry represented by the hegemonic role played by the US in international relations and the domination of financial oligarchies.

The response for governments to globalisation has been to pursue international cooperation, not by choice, but due to the absence of alternatives. There is no national answer, in fact, to global problems. The ever more frequent creation of international organisations (the most significant is the UN for its principle of universality) represents the road taken by governments for finding a solution to problems that they cannot solve alone.

A quantitative datum is sufficient to appreciate the importance of the phenomenon of international organisations: the incredible speed at which their number grew during the 20<sup>th</sup> century. According to a comprehensive criterion (utilised by the *Yearbook of International Organizations*) for classifying international organisations, which includes not only the ones instituted by states at regional and world level, but also those promoted by international organisations, there were 37 in 1909, increasing to 7,608 in 2011. Considering the non-

governmental organisations, the explosion of that phenomenon is even more astonishing. There were 176 in 1909, growing in number to 56,834 in 2011.<sup>21</sup>

The most widespread formula for defining such a type of globalisation management is the expression *global governance*. A World Commission, endorsed by the UN Secretary General Boutros Boutros-Ghali, drew up in 1995 a *Report on Global Governance*,<sup>22</sup> which contains a definition of global governance and proposals for UN reform. Innumerable books have been published on the subject and a review is printed in the United States under this title.

The hypothesis that lies behind this formula is that a function of global government is performed by the UN system without setting up a formal world government. James Rosenau and Otto Czempiel, who coined the expression “governance without government”, wrote that “Governance is not synonymous with government. Both refer to purposive behavior, to goal-oriented activities, to systems of rule; but government suggests activities that are backed by formal authority, by police powers to insure the implementation of duly constituted policies, whereas governance refers to activities backed by shared goals that may or may not derive from legally and formally prescribed responsibilities and that do not necessarily rely on police powers [...]. Governance, in other words, is a more encompassing phenomenon than government. It embraces governmental institutions, but it also subsumes informal, non-governmental mechanisms [...]. Governance is a system of rule that works only if it is accepted by the majority (or, at least, by the most powerful of those it affects), whereas governments can function even in the face of widespread opposition to their policies.”<sup>23</sup>

The notion of global governance defines a minimum amount of norms necessary to assure global order without the support of an organised government. It manifests the need to assure guidance to international politics and economy, without resort to new powers at international level or to a world government. Whereas it implies the existence of state governments, it considers non-essential the institution of higher levels of government on the regional and world planes.

Governments welcomed the idea of global governance, because it does not question state sovereignty. This formula is based on two dogmas:

- that it is possible to find a solution to the principal international issues exclusively through co-operation between sovereign states
- that states will never willingly and irrevocably delegate a portion of their power to a supranational authority.

Global governance justifies the present world order, which pretends to entrust to the sovereign states the regulation of globalisation, but in reality it entrusts it to the strong powers that exercise their predominance over world politics (the big powers) and over the world market (the multinational companies and global finance), and also to illegal powers like organised crime and terrorism; at the same time, it excludes the peoples from taking part in making fundamental

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<sup>21</sup> Yearbook of International Organizations. 2011-2012, *Leiden, Brill, 2011, vol. V, pp. 33-35.*

<sup>22</sup> Commission on Global Governance, *Our Global Neighborhood*, New York-Oxford, Oxford University Press, 1995.

<sup>23</sup> J.N. Rosenau, E.-O. Czempiel (ed. by), *Governance without Government: Order and Change in World Politics*, Cambridge, Cambridge University Press, 1992, p. 4.

decisions on which their destiny depends. In other words, it helped to dispel what governments fear most of all: the specter of supranationality.

Here, it is to be stressed that there are different versions of the idea of global governance. For instance, the above-mentioned *Report on Global Governance* is focused on UN reform, understood as the way to promote the security of humankind, to manage the global economy and to strengthen the rule of law world-wide. Even though it avoids confusion between governance and government and underlines that it does not propose a “movement towards world government”, it argues that “the UN cannot do all the work of global governance”. It recommends the phasing out of permanent membership and the veto within the Security Council, suggests the compulsory jurisdiction of the World Court, the creation of an International Criminal Court (which was established in 1998) and an Economic Security Council, the establishment of a global taxation (like a carbon tax or a Tobin tax), the formation of a UN Volunteer Force available for rapid deployment, the creation of an annual Forum of Civil Society and the establishment of a Council for Petitions in order to make the right of petition available to civil society. All in all, these are not radical but significant proposals for strengthening and democratising the UN. Some of the above-mentioned recommendations, such as those for the establishment of an International Criminal Court and the recognition of the right of petition, are proposals which tend to overcome the current structure of the international state system, where sovereign states remain primary actors of international relations. The meaning of those proposals is that globalisation requires that individuals, besides the states, become subjects of international law and that international law must be applied to the individuals. This principle is born in the framework of the UN with the Universal Declaration of Human Rights and in some way contradicts the fact that the UN is simply a union of states not of peoples. In conclusion, it may be argued that those proposals are an implicit denunciation of the limits of the UN architecture and its institutional mechanisms. More precisely, we can assert that global governance represents a step on the way leading to a global federal government endowed with judiciary, legislative and executive powers.

### **1.8. The Limits of the Intergovernmental Paradigm**

In spite of those innovative proposals, the *Report on Global Governance* is to be classified within the framework of intergovernmentalism. The price to be paid in terms of effectiveness and democracy for the adoption of this approach – i.e. the belief that international cooperation and international organisations can solve every global issue – is very high. On the one hand, international organisations are not endowed with executive powers – based on their own financial resources and their own armed forces –, able to give binding force to common decisions. On the other hand, the great powers have not developed an inclination to renounce the veto power to defend their vital national interests. In spite of the increasing extension of the majority voting in the treaties establishing international organisations, the great powers possess a so relevant amount of economic and political resources that tend to relegate majority rule to matters of technical character or to minor political issues. The lack of a supranational juridical and political order able to face the problems posed by globalisation has surely produced negative effects.

The first challenge is the emerging of problems of such a magnitude that cannot find a solution on the national plane. The great issues of peace, security, the regulation of the global market, poverty, international justice and environment protection have taken on global dimensions. The states, which are progressively losing control of their essential functions – economic development and security – are unable to face up to problems of such a dimension. But also international organisations and international regimes are increasingly inadequate to this task.

The failure of the negotiations on the main items on the global agenda confirms that a fundamental change in the rules of the game is necessary. On the one hand, the idea of a self-regulated global market has permitted a systematic abandonment of the rules controlling finance and credit. The IMF and G20 have been so far unable to reform the international monetary system, by replacing the dollar as a reserve currency with a basket of currencies – the Special Drawing Rights (SDR) –, conceived as a stage on the way of a world reserve currency. Some steps taken in that direction will be referred to later on. On the other hand, even though the Paris Climate Agreement of December 2015 asserted the universal commitment to pursue the 1,5° C target of global temperature increase, it has been unsuccessful in establishing binding implementation tools for states parties. Therefore, the world continues to be trapped in the increasing emission of carbon dioxide cycle and hopes that an agreement entrusted to the goodwill of national governments could be supplanted by a World Environmental Organisation endowed with binding powers have been so far deceived. Lastly, the non-proliferation negotiations have failed in the attempt to address the issue of a universal and controlled nuclear disarmament.

The second challenge generated by globalisation is the rise of global non-state actors, whose action escapes states' control. Banks, stock exchanges, rating agencies and multinational companies are taking the world market away from states' control. Religious organisations, research centers, foundations and universities are working out and spreading around cultural models on the world plane. Global TV networks (CNN, BBC, Al Jazeera, etc.) shape global public opinion. Civil society movements, such as the popular movement for nuclear disarmament, are activating the first forms of citizens' mobilisation at the world level. Criminal and terrorist organisations are threatening the monopoly of violence held by the states. In sum, globalisation is digging an ever deeper ditch between the states, which remain national, and the market and civil society, which are taking on a global dimension. So, the states, having lost the power to decide on the issues that will determine the future of mankind, show their inadequacy to govern globalisation.

The third challenge is represented by the fact that in a world where globalisation erodes state sovereignty, the decisions on which the future of humankind depends shift outside of national borders. Citizens feel that they have lost control of their destiny, because the most important decisions are taken at world level while democracy stops at states' borders. Beyond those borders, relations of force dominate between states and non-state actors competing with one another for determining the lines of world politics. There ensues a crisis of consent towards the political institutions and of the legitimacy of public powers. Consequently, the decline of the state brings about the triumph of private interests connected to the market and the decline of collective values on which political coexistence is founded.



For centuries the states have been regulating the market and civil society through a system of laws and bodies tasked with keeping order and repressing behaviors contrary to the norms of civil coexistence. The answer to the loss of state control over the enforcement of norms and public order cannot but come from politics. This is indeed the field where the efforts to govern the historical process may be successful. If democracy does not want to resign itself to undergo the power of global markets and non-state actors, it should globalise itself.

### **1.9. Glocalisation, New Medievalism and Multi-level Governance**

The globalisation process is characterized by a tension between unification and national resistance. Global and local do not exclude each other. On the contrary, they are two aspects of a single process. The trend toward globalisation and world unification coexists with decentralisation and localisation. At the same time, the nation-state shows no signs of disappearing. For this reason, Ronald Robertson coined the word “glocalisation”.<sup>24</sup> Whereas globalisation is a process of unification of markets, civil society, cultural models, life styles and political institutions, it fosters, at the same time, the need to preserve differences, local cultures and institutions. Since it is the expression of a tendency to equalise and level social behaviors, it generates the requirement to defend and develop local cultures and identities.

The trend toward fragmentation shows itself in two different ways. The first is ethnic nationalism, which combats globalisation, disintegrates old nation-states and tends to transform the world into a sum of closed communities divided by tribal hatred. The second is local and regional self-government, which is compatible with supranational powers and institutions. It is an aspect of a power distribution on different levels – sub-national and supra-national – of government.

The erosion of state sovereignty, which is the main political aspect of globalisation, stimulates the need for new forms of governance, including the national level but overcoming it through the transfer of power toward higher and lower levels of government. The articulation of the architecture of the authority structures occurred in the globalisation era has much in common with the medieval political organisation. Hedley Bull’s theory of “new medievalism”<sup>25</sup> underlines the analogy between the reorganisation of the international political space, in progress during the last phase of the Cold War (in 1977, when Bull wrote *The Anarchical Society*, the word globalisation was just beginning its circulation), and the overlapping of different levels of government from the local to the universal community, typical of medieval times.

Whereas the formation of the modern state was characterised by the assertion of the concept of sovereignty, i.e. the progressive power centralisation on the military, fiscal, administrative, legislative and judiciary plane, globalisation brings about a process, which is developing in the opposite direction, of scattering of political power and legal systems. A growing number of power centers is escaping state control, and undermines state sovereignty. However, the observation of the effects of the globalisation process shows the loss of authority of the old sovereign states, the scattering of political power, while the lack of certainty of law and the clash between ill-defined rights pave the way to the abuse and encroachment by the strongest powers

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<sup>24</sup> R. Robertson, *Globalization: Social Theory and Global Culture*, London, Sage, 1990.

<sup>25</sup> H. Bull, *The Anarchical Society*, London, Macmillan, 1977, pp. 264-76.

and groups against the weakest, the assertion of new privileges, the limitation of individual liberties, the spread of violence. All these phenomena, which are real aspects of the globalisation process, represent a serious danger for the values and institutions on which our civilization rests. The state represents an invaluable heritage and a building block of the civilisation process. The supremacy of the common good over the private interests depends on it. Therefore, the problem is to rethink and reorganize the state, not abolish it.

This reorganisation of political power at different territorial levels has been called in the contemporary political science literature “multi-level governance.” This expression echoes the federalist vision of political institutions, which enables rethinking and questioning the traditional model of the unitary state. It is worth recalling that Kenneth C. Wheare defines federal government “that system of power sharing that allows the central government and the regional governments to be, each in its own sphere, coordinated and independent.”<sup>26</sup> It is appropriate to call this institutional arrangement “multi-level government”.

### **1.10. The WTO, a Building Block of a New Global Architecture**

The WTO, established in 1995, is a multilateral forum within which international trade agreements are negotiated. Its main task is liberalisation of world trade. One of the most elementary forms of international organisation is free trade area, which can simply work on the basis of intergovernmental structures. It enables member states to benefit from the enlargement of the market dimension.

The WTO operates by consensus. Therefore, it gives disproportionate influence to those governments that are inclined to resort to the veto power. The principal decision-making body of the WTO is the Ministerial Conference, which meets at least every two years. The General Council carries out the same functions between the meetings of the Ministerial Conference. Both organs are composed, like traditional intergovernmental bodies, of national representatives. The Secretariat has auxiliary functions. Finally, the WTO is endowed with a two-tiered dispute settlement system. The first level is the Panel, the second level is the Appellate Body.

No supranational institutions are necessary to regulate economic transactions at the international level except for a judicial body, a dispute settlement mechanism, which is recognised by the member states as legitimate and has therefore been enabled to function effectively in practice.

According to the preamble to the statute, the purpose of the organisation was raising the standard of living, ensuring full employment, expanding production and trade, promoting sustainable development. Twenty years after its creation, it is evident that the WTO has been unable to achieve these goals, except the benefits deriving from trade liberalisation, for instance the halving of extreme poverty, that has been reached in 2007, i.e. seven years before the 2015 deadline, set by the Millennium Development Goals.<sup>27</sup> To sum up, trade liberalisation was managed in a way that advanced control of global finance and multinational corporations on

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<sup>26</sup> K.C. Wheare, *Federal Government*, Oxford, Oxford University Press, 1966 [1946], p. 11.

<sup>27</sup> L. Chandy and G. Gertz, *Poverty in Numbers: The Changing State of Global Poverty from 2005 to 2015*, Washington, The Brookings Institution, 2011.

economic and social activities and harmed economic justice, social well-being and ecological sustainability.

The last multilateral negotiation round – the Doha Round, started in 2001– has been suspended indefinitely. It has been paralysed by the increasing difference between the declining power of the industrialised countries (first of all the US and the EU) and the rising power of the developing countries (above all China and India). Since the latter began exporting far more than they were importing, the industrialised countries were asking their trade partners in the South to lower import barriers and cut subsidies to farmers. This is the main reason for the stalemate.

As negotiations on the multilateral track did not make progress, the US has sought an alternative in two large regional agreements – the Trans-Pacific Partnership (TPP) with a group of eleven countries, excluding China and India, and the Transatlantic Trade and Investment Partnership (TTIP) with the European Union –. But also these deals seem to be destined to fail. The Comprehensive Economic and Trade Agreement between the EU and Canada (CETA) has entered into force, but the establishment of the tribunal for dispute resolution on investments has been removed.

The protest against free trade deals points out that these agreements benefit above all the political establishment and the lobbies within the states and the US at the international level. The losers in these deals would be consumers and workers on the one hand and developing countries and the EU on the other hand. The fact is that a large part of the public opinion clearly perceives that the environmental, health and social security standards are not respected. Concerns regarding these treaties focus in particular on the establishment of private global tribunals that would set up a privileged international legal system for corporations. This means that foreign investors would be entitled to bypass domestic courts, sue governments and demand a compensation if they feel that any rule or regulation affects their investments.

The world needs a new kind of trade deals addressing issues such as labour rights, consumer, health and environmental protection, tax evasion and elusion. In other words, the goal of trade liberalisation should be made compatible and consistent with the principles of equitable and sustainable development. If appropriately reformed, the WTO can become the building block of a new global architecture.

## **2. Constitutionalising and Democratising the WTO to Govern Globalisation**

### **2.1. The Establishment of a Judiciary Body, a Step on the Way to Constitutionalising International Relations**

The WTO dispute settlement body has the characteristics of a supranational court, as its decisions are binding on national governments. This is the distinguishing mark of a new generation of global institutions established after the end of the Cold War. A procedure for settling disputes existed under the GATT, but it had no fixed timetables, rulings could be blocked more easily and many cases dragged on for a long time inconclusively. The WTO introduced greater discipline regarding the time for a case to be settled. Moreover, a country losing a case cannot block the

adoption of a ruling, unless there is a consensus to reject it. Lastly, if a country does not comply with a ruling, it should offer a compensation or undergo a penalty or sanction.

All this confirms Kelsen's theory regarding the development stages of international organisations according to which the first stage of an integration process is the affirmation of jurisdictional bodies. Hans Kelsen's most significant contribution to think the evolution of the phenomenon of international organisations lies in his vision of the stages of the process of constitutionalisation international relations. He stresses the strange similarity between the anarchy in primitive communities and that of the international community. On this similarity he bases the assumption that the transition from primitive society to the State offers a guiding criterion with regard to the evolution of the international community. In other terms, the transition to the world federation is a long-term process comparable with the formation of the State, which consisted of a continuous process of power concentration.

“Long before parliaments as legislative bodies came into existence”, he wrote, “courts were established to apply the law to concrete cases. It is interesting to note that the meaning of the word ‘parliament’ was originally court. In primitive society the courts were hardly more than tribunals of arbitration. They had to decide only whether or not the crime had actually been committed as claimed by one party, and hence, if the conflict could not be settled by peaceful agreement, whether or not one party was authorised to execute a sanction against the other according to the principle of self-defence. Only at a later stage did it become possible completely to abolish the procedure of self-defence and to replace it by execution of the court-decision through a centralised executive power, a police force of the State. The centralisation of executive power is the last step in this evolution from the decentralised pre-State community to the centralised community we call State.” And he concluded: “We have good reasons to believe that international law [...] develops in the same way as the primitive law of the pre-State community”.<sup>28</sup>

Also the institutional evolution of the European institutions confirms this assumption. The first stage of the development of the European Communities was the establishment of a common market and, in order to regulate the orderly working of market mechanisms, it was necessary to resort to the European Court of Justice. As a matter of fact, the first European Community institution which asserted itself as a supranational power was the Court of Justice; then the European Parliament, as a result of its direct election, increased its powers and progressively asserted itself as a supra-national legislative assembly; in the end the governing power of the European Commission will come.

The experience of the European Communities is widely shared by other regional organisations, where the establishment of Courts of Justice responds to the need to regulate market integration, decide on commercial disputes, interpret and apply treaties. The more they are endowed with binding powers, the more their activity is effective.

The WTO activity is enshrined in the UN system of uncoordinated and fragmented international institutions that act without a coherent plan. The issues regarding world trade (WTO) should be coordinated with matters such as investments (WB), financial support to developing countries

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<sup>28</sup> H. Kelsen, *Peace through Law*, Chapel Hill, NC., University of North Carolina Press, 1944, pp. 21-22.

(IMF), the environment (UNEP), labour (ILO), food and agriculture (FAO), health (WHO) and so forth. The WTO has shown the tendency to adopt a comprehensive approach to those issues. Therefore, the dispute settlement body should extend its jurisdiction to the above-mentioned matters that are closely related with trade and commit itself to impose compliance with the international standards codified by the UN agencies.

## 2.2. Negative and Positive Integration

The goal pursued by WTO is “negative integration”, i.e. the reduction or the removal of the barriers to the free circulation of the production factors. This is the first stage of the economic integration processes. But there are goals that the free play of market forces cannot achieve, i.e. policies intended to regulate the market mechanisms and correct its distortions (“positive integration”).<sup>29</sup> As a matter of fact, the free market fails to provide public goods such as the protection of the environment, public health, full employment, social security, the prevention of the concentration of the economic power in the hands of one (monopoly) or a few (oligopoly) power centres.

The WTO has shown the tendency to regulate some of these sectors. It is a potential protagonist of the transition from the current market-centric and intergovernmental approach to a socially just and environmentally sustainable world order. It is reasonable to foresee that the WTO will develop its competences in the above-mentioned field in the wake traced by the EU.

## 2.3. Reforming the International Monetary System

The experience of European unification shows that market integration requires a single currency, that the currency demands a budget and that the budget needs a government. The formation of a multi-currency system, in which the euro and the renminbi are playing a major role, has created the conditions for the replacement of the US dollar as the world reserve currency. It was not the EU but the governor of the Chinese Central Bank Zhu Xiaochuan<sup>30</sup> who, in 2009, unexpectedly raised the problem. In his proposal he quoted the “Triffin dilemma”<sup>31</sup> – that is, the theory of a federalist economist who demonstrated the inherent contradiction of using a national currency, namely the US dollar, as the international reserve currency. He proposed launching a process which would lead to a single world reserve currency. Taking the European Monetary System, the ancestor of the euro, as an example, he identified two transitional objectives: a) enlarging the Special Drawing Rights (SDR) basket of currencies to include the currencies of all major economies and b) granting the IMF a part of its member states' reserves.

This project, if it were to materialise, would represent a giant step forward towards World Federation. It would have an impact similar to the creation of the euro as a forerunner to the establishment of a European Federation. To give an idea of the expected timeframe for a project of this complexity the creation of the euro took thirty years to achieve. Moreover, the European

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<sup>29</sup> The distinction between negative and positive integration was coined by Jan Tinbergen, *International Economic Integration*, Amsterdam, Elsevier, 1954.

<sup>30</sup> Zhu Xiaochuan, *Reform of the International Monetary System*, 23 March 2009. Available online at: [http://www.china-un.org/eng/zt/g20\\_london\\_summit/t554938.htm](http://www.china-un.org/eng/zt/g20_london_summit/t554938.htm)

<sup>31</sup> R. Triffin, *Gold and the Dollar Crisis. The Future of Convertibility*, New Haven, Yale University Press, 1960

Union is still not a full federation even though the institutional evolution towards this goal started in 1950. The establishment of a World Federation is likely to be similarly slow and difficult, but the aim is nevertheless essential for the achievement of world peace and prosperity. It is worth mentioning that three steps in the direction of the Chinese plan have been taken in 2015-2016. The first is the joint representation of the eurozone countries in the IMF by 2025 at the latest, the second is the inclusion of the renminbi in the SDR basket and a World Bank's issue in the Chinese market of bonds denominated in SDR.

#### **2.4. The Introduction of Global Taxes to Finance Global Public Goods**

The financial and economic crisis and climate change have led to a revival of interest in the introduction of global taxes such as Financial Transaction Tax and Carbon Tax.<sup>32</sup> These taxes would pave the way to a more democratic and socially responsible UN system. A financial transaction tax would penalize financial speculation and would charge the financial oligarchies for the cost of damages caused to ordinary citizens and the welfare system. On the other hand, to start a socially and ecologically sustainable development, a carbon tax would discourage the use of fossil fuels and promote the transition towards renewable energies. Moreover, the current low price of oil represents an extraordinary opportunity to introduce this tax.

An increase of financial resources can provide global public goods such as the protection of the environment, the protection of savings, poverty alleviation, the fight against major diseases, universal primary education. All the UN agencies have their own budget. But what is needed to ensure the effective provision of those public goods is a global taxing authority.

The revenue of these taxes could be allocated to a WTO budget led by a UN Ministry of Finance responsible for a comprehensive direction of global economic policies. The first step along this way could be the merger of the IMF, the World Bank and the WTO budgets (the successors of the Bretton Woods institutions), in order to bestow a broad spending capacity on a single authority.

The goal to pursue is the establishment of an overarching central secretariat to exercise leadership and coordination on a plurality of secretariats scattered among the UN specialised agencies. The introduction of global taxes and the increase of the UN own resources will open the way to overcoming the IMF's and World Bank's financial and governance structure based on the undemocratic "one dollar one vote" principle and raise the problem of the democratic control of public finance, according to the principle "no taxation without representation".

#### **2.5. An Economic Security Council**

If separate UN specialised agencies have approximately the same member states, but it is not sure that they speak with the same voice in each organisation, it is necessary to have a coordinating centre for the policies of the specialised agencies. The G20 represents an attempt to extend the international leadership to the new big actors emerged in the global economy like China, India or Brazil and to shape a more inclusive world economic order than the one provided

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<sup>32</sup> James A. Paul & Katarina Wahlberg, *Global Taxes for Global Priorities*, Global Policy Forum and Heinrich Böll Foundation, New York-Berlin, 2002.

by the G7 and G8. It marks the first step toward the reorganisation of world economic power and reflects the aspiration to a cooperative approach to global challenges such as climate change, financial and economic crisis, labour standards, human rights and terrorism. But, owing to the differences that divide the protagonists of the global economy, the G20 mirrors the divisions that cross the world and has proved unable to overcome them.

A way to overcome these limitations could be the establishment of an Economic Security Council.<sup>33</sup> It could satisfy the need for a global governing body more authoritative than the ECOSOC and more representative than the UN Security Council dealing with global economic and social matters, in order to govern globalisation. This new intergovernmental economic policy decision-making body, operating under the umbrella of the UN, can represent the first step of a process leading to an effective and democratic government of globalisation.

This process can be conceived as a reform of the ECOSOC, whose composition is too large to be effective and too small to be democratic. An answer to this difficulty lies in the worldwide trend towards the establishment of regional groupings of states and regional organisations, which is the institutional expression of the need for overcoming the national dimension and promoting regional integration processes. The reorganisation of the world order on the basis of these groupings of states represents not only an alternative to the power hierarchies determined by the difference between states of varying sizes, but also to the world fragmentation into a chaotic host of small states and statelets, contrasted with very large states. Therefore, the UN will rest upon a balanced world system made up of multinational political entities with comparable size and power. This is the way to overcome the unjust discrimination between permanent and non-permanent member states, that is the distinguishing characteristic of the UN Security Council. This is the way leading to the replacement of the right of veto with the majority vote. Therefore, the Economic Security Council can become the Council of the great economic regions of the world.

## 2.6. A WTO Parliamentary Assembly

The more the regional integration and globalisation processes erode national democratic institutions, the more they foster the need for international democracy. The formation of integrated markets and civil societies at the regional and global levels require the extension of popular control on the international plane. International democracy has become a key aspect of the contemporary political and academic debate. It is a relatively recent trend in international politics as shown by the fact that in 1945 – when the UN was established – the phenomenon was practically nonexistent. Since WWII, the number of the International Parliamentary Institutions (IPIs) has been constantly increasing. According to the data provided by the International Democracy Watch in 2013, in the world there are 39 international parliamentary institutions.<sup>34</sup>

Despite the proliferation of parliamentary assemblies at international level, the most inclusive international organisation, due to its vocation to universality – the UN –, does not have such a

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<sup>33</sup> To my knowledge, the first who proposed the establishment of this organ is M. Bertrand, *Refaire l'ONU! Un programme pour la paix*, Genève, Zoé, 1986, pp. 92-98.

<sup>34</sup> L. Levi, G. Finizio and N. Vallinoto eds., *The Democratization of International Institutions: First International Democracy Report*, London, Routledge, 2013.

body. Nor do the other main specialised agencies and organisations such as the IMF, the WB, the WTO. However, the need for democratising these institutions is shown by the fact that the WB has established a Parliamentary Network and the WTO has established a Parliamentary Conference. Of course, the democratisation process is still at the starting point, as those institutions cannot influence the agenda and the decisions of the institutions they belong to. This shows how far is the UN – and its specialised agencies – from having attained that minimum degree of democracy which characterises most international organisations.

The relevance of these attempts lies in the fact that they address the issue of the democratic deficit of those organisations. Their limit lies in its sectoral approach that shows the lack of a global response to the challenge of international democracy. If the world institutions should have a really representative character, there is no other way than to apply the “one head, one vote” principle. The extension of democracy beyond state boundaries does not imply simply the establishment of parliamentary assemblies at international level, as the paradigm of “domestic analogy” suggests. In other words, international democracy is not simply a replica of domestic democracy. The most obvious example lies in the structure of parliaments in federal systems, which combines a democracy of individuals with a democracy of states i.e. a chamber of peoples with a chamber of states.

The process of globalisation does not only involve trade flows, but also concerns many other aspects of political, economic and social life, like security, international monetary and financial issues, poverty, human rights, environment, health, education and so on. For example, the most recent among the economic and social international organisations, the WTO, is not dealing only with trade, but also with new related issues such as unemployment, international migration, social rights, child labour, health, environment, etc. All these issues are different aspects of the activity of international economic organisations, but find no appropriate answer, in the absence of the necessary powers to address them in a comprehensive way and because of the plurality of bodies dealing with them. It will therefore be necessary to increase the powers of the new international economic institutions, and also to create a centre to co-ordinate functions that are presently scattered in many institutions operating independently of each other (G7, G20, IMF, WB, WTO, ILO, UNEP, etc.).

This is the ground in which the efforts to democratise this decision-making power centre can develop. Historical experience teaches that the authority of Parliaments grew in opposition to monarchies to limit their absolute power. Likewise, the international assemblies established last century aim to limit the absolute power of the nation-states that dominate international organisations. The most important result achieved by parliaments in their long struggle to limit the power of the kings was the budgeting power. The first step was the power to resist king's tax collectors, which gradually evolved towards a “power of the purse”, i.e. a true budgeting power based on the principle of parliamentary consent to taxation and control of expenditure.

This is one the most significant powers achieved so far by the European Parliament. For the time being, it is an incomplete power, as in the co-decision procedure the Council is bound to adopt the Multiannual Financial Framework by a unanimous vote. This is the limitation that every attempt to raise the ceilings of the EU budget (that amounts to a tiny percentage – about 1% – of the EU's GDP) and to increase the EU's own resources is facing. The answer to this challenge is



the assertion of a fiscal capacity of the Eurozone countries,<sup>35</sup> i.e. the power to levy taxes such as a Financial Transaction Tax or a Carbon Tax to provide public goods at the European level. All international organisations have to take up the same challenge and it is up to the EU to pave the way.

The analysis of the structures of the international organisations shows that these are diplomatic machines within which governments pursue co-operation. But recently some of them have been enriched with parliamentary structures, which represent the response of national parliaments to the globalisation process and the erosion of their power. In other words, they attempt to shift parliamentary control over governments at international level. Most of them are made up of national parliamentarians, but the European Parliament, which represents the most advanced evolution of this category of international assemblies, is directly elected and has acquired supranational powers, which enabled the European Community and the European Union to impose laws and rules on its member states, thus increasing the level of positive integration. The European Parliament can be defined as the laboratory of international democracy. At the beginning, it was an assembly made up of members of national parliaments and endowed with consultative powers. After its direct election it has increased not only its legislative powers but also its control powers over the Commission, understood as the potential European government. This means that the democratisation of the European Union has been a mighty tool for strengthening the European institutions.

### **3. The EU as the Driving Force of WTO Reform**

#### **3.1. The European Union as an Unaccomplished Form of Statehood at International Level**

If decisions that are taken at international level must be effective and democratic, new forms of democratic government should be established above nation-states. The basic assumption underlying the European integration process is that the only way to build peace between countries divided by national hatred is making them so closely integrated that war would become inconceivable. Even though European unification is not yet accomplished, the peculiar way followed by Europe shows how important is the political and institutional aspect of the construction of an international economic order supported by democratic consent. The EU is the most intensively regulated region of the world. Its political institutions impose restraints on what sovereign states may do in their relations with each other, and in this it shows the way to what the UN could become in the future: namely, the guardian of international law and the framework of a process of constitutionalisation of international relations.

The European integration process weakens national governments and compels them to cooperate in order to solve together the problems they are unable to cope with separately. It creates a European civil society side by side with national civil societies, and establishes European institutions that represent a decision-making mechanism which progressively depletes national

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<sup>35</sup> D. Ruiz Devesa, "A Federal Budget for the Eurozone: the Böge-Berès Proposal", *The Federalist Debate*, XXIX, 2016, N° 3, pp. 10-13.

institutions. The commercial and competition policies are exclusive EU competences as well as the monetary policy for the states which have adopted the euro. In these areas the EU behaves more or less like a federal union and can act as a model and driving force in shaping a new global economic order. Moreover, the European Commission, to assure free competition in the European market, is endowed with an anti-trust authority. Lastly, the negotiations for the introduction of a Financial Transaction Tax among ten Eurozone member states are underway and a Carbon Tax is within the range of the possible outcomes of the efforts to increase the EU's own resources. The EU is not and will never be a state in the traditional meaning of the word. It will rather be a Federation of states. The nascent European Federation is facing the task of promoting mutual toleration and solidarity among nations. The vitality of the European unification experience springs from the attempt to reconcile unity on the one hand with the Old Continent's diversity of peoples on the other.

The EU is the largest global economy, larger than the US and China, and the first world's trade power. Consequently, it has a vital interest in keeping the world market open and strengthening the institutions that further this aim. This is the reason that has driven the EU, against the resistance of the United States, to promote the formation of the WTO, which springs from the need to apply new rules to global competition and to enforce them universally.

A full-fledged European federal union will be able to profoundly influence trends in world politics, in the first place by conditioning US foreign policy and driving it to a closer co-operation with Russia in a way that does not exclude China. More generally, it will eventually play a pivotal role between East and West, and North and South, because it has a vital interest, unlike the United States, in developing positive relations of cooperation with the neighbouring areas of the ex-communist world, the Mediterranean and Africa. The first task is to complete European unification toward East and South. At the same time it is necessary to strengthen the international institutions (OSCE, Lomé Convention and the Euro-Mediterranean Partnership) binding Europe to its neighbouring continents.

The institutional innovations that characterise its structure foreshadow a new kind of foreign policy, a policy of unification, that does away with the use of power. Through aggregation forms, more or less tight depending on necessity, according to the model of concentric circles, the European Union created institutions that developed economic ties with the whole world. Adhesion is the specific instrument of unification policy. Association and co-operation are the instruments necessary to prepare unification.

If we consider that a single currency is the background condition that prevents international speculation, that the public action of an anti-trust authority represents a remedy for competition distortions within markets brought about by monopoly or oligopoly, that the power to raise taxes represents the condition to provide public goods to society, we can conclude that this is what we need at world level to regulate globalization.

### 3.2. An EU Initiative

The proposal for a UN Parliamentary Assembly<sup>36</sup> was inspired by the example of the European Parliament. The proposal was conceived as a preliminary step toward creating a real World Parliament directly elected by the world citizens and endowed with legislative powers. The establishment of a World Parliament is, of course, a long-term objective, that can only be conceived as a gradual process. The institutional evolution of the European Parliament, that is still unaccomplished, suggests that forming a Parliamentary Assembly within the WTO can represent the first step on the way to the democratisation of the UN. The itinerary covered by the European Parliament shows an incremental process along a three stages process: a) a parliamentary assembly composed of members of national Parliaments, b) its election by universal suffrage, c) its strengthening through the extension of its legislative and control powers.

It is desirable for the European Parliament to represent all the member states of the EU in the WTO Parliamentary Assembly.

The reorganisation of the world on the basis of regional unions of states represents the way leading to a more balanced international political system made up of actors with equivalent dimension and power. A multipolar world system creates favourable conditions for an evolution of international relations from power politics to the rule of law. A mutually agreed legal order can open the way to a long-term process leading to international democracy.

Since the EU represents the most advanced, albeit unfinished, experiment in democratisation of an international organisation, it can become the leading region of international democracy. It is worth recollecting that the European Parliament endorsed the creation of a UN Parliamentary Assembly.<sup>37</sup> At the same time, it should be noted that the regression of European unification had a negative impact on the democratisation process of the other regional organisations. I mention two examples: the postponement to 2020 of the date – originally set for 2011 – for direct election of the MERCOSUR Parliament (Parlasur) and the announcement by the governments of the Andean Community of their intention to eliminate the directly elected common Parliament (Parlandino).

The EU cannot continue to define itself as the first supranational democracy in history if it is unable to answer the concerns of its citizens, first of all a work for jobless people, sustainable development, integration of migrants, fighting terrorism, a foreign and security policy in order to pave the way towards an EU independent security system. A partial but effective reply to all these issues can only come from policies promoted within the framework of the Lisbon Treaty, e.g. a New Deal for the European economy, a development plan for Africa and the Middle East financed by a financial transaction tax and a carbon tax, cooperative relations with Russia and a permanent structured cooperation in the field of security and defence that would enable the EU to become a global actor. It is not only unreasonable, but practically impossible to address the problem of a constitutional reform of the EU without a change in the policies that would enable to regain citizens' trust.

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<sup>36</sup> D. Heinrich, *The Case for United Nations Parliamentary Assembly*, Amsterdam/New York, World Federalist Movement, 1992. See also A. Bummel, "Toward Global Political Integration: Time for a World Parliamentary Assembly", *The Federalist Debate*, XXX, 2017, N° 1.

<sup>37</sup> *Resolution on the Reform of the United Nations*, 9 June 2005 (B6-0328/2005).

Therefore, only if the EU resumes the march toward federal union, will it regain the role of driving force of international democracy. In fact, it is reasonable to assume that the European Parliament will be more inclined than any other state or international organisation to promote the international democracy experiment in the other regions of the world and at world level (WTO and UN democratisation). It will show to the world how a regional groupings of states can live in peace under a democratic parliament and government.<sup>38</sup>

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<sup>38</sup> In a *Resolution on the Relations between the European Union and the United Nations* (2003/2049 (INI)) adopted by the European Parliament on 29 January 2004 we can read: "in a world torn apart by conflicts, underdevelopment and inequalities, the European Union is a beacon, showing that peoples which have undergone major crises and fratricidal wars can come together, by force of conviction, to take the path of peace, prosperity and democracy, by developing a model which combines economic growth with cohesion and social rights, and believes that this historic example offers a stimulus to other regional integration processes around the world".

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