

Study Unit 5: Global Governance

Unit Objectives

1. To explain the meaning of global governance.
2. To explain the impact of global governance on business.
3. To identify the challenges of global governance.

What is Global Governance

Global [governance](#) or world governance is a movement towards political cooperation among [transnational](#) actors, aimed at negotiating responses to problems that affect more than one state or region.

Global governance brings together diverse actors to coordinate collective action at the level of the planet. The goal of global governance, roughly defined, is to provide global public goods, particularly peace and security, justice and mediation systems for conflict, functioning markets and unified standards for trade and industry. One crucial global public good is catastrophic risk management – putting appropriate mechanisms in place to maximally reduce the likelihood and impact of any event that could cause the death of 1 billion people across the planet, or damage of equivalent magnitude.

The leading institution in charge of global governance today is the United Nations. It was founded in 1945, in the wake of the Second World War, as a way to prevent future conflicts on that scale. The United Nations does not directly bring together the people of the world, but sovereign nation states, and currently counts 193 members who make recommendations through the UN General Assembly. The UN's main mandate is to preserve global security, which it does particularly through the Security Council. In addition, the UN can settle international legal issues through the International Court of Justice, and implements its key decisions through the Secretariat, led by the Secretary General.

In summary, global governance is essential but fragmented, complex and little understood. In this context, the key questions raised by the Global Challenges Foundation

are, how to reform institutions, how to develop alternative institutions, and how to use the new possibilities of technology to improve governance.

II. Sovereignty and Global Governance

Sovereignty can be described as a principle that legitimizes internal political organization and serves as a mechanism for enhancing international order. It is, therefore, linked to both internal and global governance.

The concept of global governance implicitly questions some understandings of sovereignty because it is based on the assumption that states and non-state actors are partners in the management of global affairs.

The concept of global governance must take a deeper meaning. Global governance must be seen as the only realistic way of governing in a world increasingly complex and interdependent. There is still much room for constructive action, and all nations and interested organizations should participate in this difficult task. The recent global crisis has shown that states alone cannot cope with both their internal problems and especially the increasing global challenges. Although states are facing the fear of the erosion of their national sovereignty, they must adapt and give some of their powers to supranational actors to respond better to global issues and challenges. It is clear that the concepts of global governance and national sovereignty will mutate, as there will be another system of interaction between the main national and international actors. Basically, there will be a new world order as "black swans" (extreme events, unexpected and atypical), as Nassim Nicholas Taleb calls them, will shape the world.

III. Global governance and business

In a vast ideological shift in the late 20th century, markets rather than governments came to be seen as the road to prosperity. Governments that once nationalized foreign firms now seek out the investment, technology, and managerial expertise such companies can bring. The halls of the United Nations used to ring with calls for international regulation of those dreaded evil-doers, the multinational corporations. Now the UN instead implores

business to join with it in a voluntary Global Compact to ensure respect for internationally agreed environmental, labor, and human rights standards.

And business has truly gone global. Surging transportation and communications technologies in the past few decades have encouraged firms the world over to cross borders, and revitalized industries in Europe and Japan have offered new competition to U.S. firms.

But there are clouds on the global business horizon that go beyond the current dour economic climate. The lack of effective international (and often national) regulation to protect workers, communities, and the environment has spurred the development of a powerful movement aimed at promoting corporate social responsibility, whose partisans have on occasion forced significant changes in business practices through campaigns aimed at consumers and investors. And because unregulated business activities can cause societies to question the legitimacy of corporations, corporate leaders themselves are struggling with fundamental questions about how far their social responsibilities extend: to shareholders, employees, local communities where they operate, humanity as a whole, future generations?

IV. Role of good global governance practices

Good governance has 8 major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive, and follows the rule of law. Good governance is responsive to the present and future needs of the organization, exercises prudence in policy-setting and decision-making, and that the best interests of all stakeholders are taken into account.

1) Rule of Law

Good governance requires fair legal frameworks that are enforced by an impartial regulatory body, for the full protection of stakeholders.

2) Transparency

Transparency means that information should be provided in easily understandable forms and media; that it should be freely available and directly accessible to those who will be affected by governance policies and practices, as well as the outcomes resulting therefrom; and that any decisions taken and their enforcement are in compliance with established rules and regulations.

3) Responsiveness

Good governance requires that organizations and their processes are designed to serve the best interests of stakeholders within a reasonable timeframe.

4) Consensus Oriented

Good governance requires consultation to understand the different interests of stakeholders in order to reach a broad consensus of what is in the best interest of the entire stakeholder group and how this can be achieved in a sustainable and prudent manner.

5) Equity and Inclusiveness

The organization that provides the opportunity for its stakeholders to maintain, enhance, or generally improve their well-being provides the most compelling message regarding its reason for existence and value to society.

6) Effectiveness and Efficiency

Good governance means that the processes implemented by the organization to produce favorable results meet the needs of its stakeholders, while making the best use of resources – human, technological, financial, natural and environmental – at its disposal.

7) Accountability

Accountability is a key tenet of good governance. Who is accountable for what should be documented in policy statements. In general, an organization is accountable to those who will be affected by its decisions or actions as well as the applicable rules of law.

8) Participation

Participation by both men and women, either directly or through legitimate representatives, is a key cornerstone of good governance. Participation needs to be informed and organized, including freedom of expression and assiduous concern for the best interests of the organization and society in general.

V. Challenges of global governance

(1) Equal spread of global development: Poverty

Poverty has dramatically decreased over the past 20 years, inequality has grown tremendously. From a global perspective, the least developed countries are continuously losing terrain to fast-growing economies. Rather than falling behind, these countries risk falling outside of the global economy. And even within countries, inequality is exploding. In countries as diverse as India, China and the United States, the poor are caught in a trap, for which there is no easy exit. Although balancing growth and distributive justice is a difficult exercise, global governance should urge countries to undertake such an exercise.

(2) Reducing greenhouse gases in the atmosphere and halt global warming: Climate change

Our temperatures are still rising while biodiversity is decreasing at a dangerous pace. The oceans and jungles are losing biological richness, and the Arctic is still on schedule to be without ice by the year 2100. Some small island states and countries are already feeling the heat, as they are slowly turning into either deserts or water parks. These threats of global warming are created by human activity, and solutions lie within our reach. Taming the problem with cap-and-trade regimes has proved to be a feast of perverse incentives, so governments should step in more forcefully to internalize damaging energy policy externalities. The main problem is that even climate change has distributive consequences, hitting some harder than others. And while energy subsidies have enabled the quick growth of new industries, now that these industries are becoming mature it is time to enhance the energy tax systems. More energy taxes instead of more energy subsidies should be among the global priorities.

(3) Global cooperation less representative : Intolerance

Being unable to take into account the interests of people living in weak or failed states is not only a failure of the domestic system, but even more so of the global governance architecture in which these people only have a minor say. If NGOs or companies move into political vacuums, they become the designated representative agencies whether they like it or not. Like states, their accountability is not only to their donors or customers, but also to the people in the area as well as to the international community.

(4) Violent conflict

Conflicts around the world are becoming not only complex but also drain extreme violence, resulting in loss of livelihoods and capital, displacement of populations and destabilization of states and an entire region

(5) Extremism

Terrorism and other forms of extremism are taking on more and more dimensions, threatening the security of states and citizens and restricting the space for cooperation.

VI. Role of good global governance in sustainable development

Global governance that supports sustainable development is one of the great challenges facing political decision makers, in Europe and beyond. The vital question for European societies is to design effective, stable and legitimate governance systems at local, national and international levels that ensure sustainable development. A major obstacle in achieving "global sustainability governance," however, is the ambiguity surrounding the concept. As Lawrence Finkelstein (1995: 368)¹ argues, "we say 'governance' because we don't really know what to call what is going on," and that "'global governance' appears to be virtually anything." As a result, there is no commonly accepted definition. This conceptual confusion limits our ability to analyze and influence global governance for sustainable development.

Inadequate global institutions, agreements or networks as well as political and national interests may impend global governance and leads to its failure like the consequences of ineffective global governance.

The 2012 global risk report places global governance failure at the centre of gravity in its geopolitical category

The incapability of the institutions of the post-war global governance like the UN, the international monetary funds, world bank to manage the instabilities created by global interdependence eg in the 2008 financial crisis is emblematic of this problem

Advances in technology, financial instruments and banking collided with outdated regulatory institutions bringing the world economy to the brink of collapse.

The threats of systematic breakdown when it comes to cyber security, pandemic diseases, immigration and nuclear safety and climatic changes which problems require large coalitions of states to commit to sophisticated long term collective actions.

Climatic change, heavy rainfalls and sun shines and cold conditions in some states of the world affect global governance practices in that some global governance practices were limited in some states of the world because of such horrible weather conditions.

Food and water security. This was a big challenge that affected most of the global states in the 21st century. This affected the activities of the global governance in most parts of the world especially Africa.

International immigration flow and new technology. This affected global governance in that the new technologies were not yet ready in some states especially Africa which affected activities of the global governance.

Threats like ethnic conflicts. This also affected the activities of global governance because it limited the emergency of international organization in such areas which were affected by such conflicts in the fear to lose their lives and properties.

There was a problem of energy security in some states of the world especially in the 21st century which limited and affected the activities of global governance.

Terrorism. This scared away people and organizations from being set up in some parts of the world like African states hence limiting the activities of global governance.

The roles of global governance

Market surveying, global governance ensures market survey and rules markets and fair competition as multi-lateral rules and trade are under good conditions.

Global governance helps in promoting unity and peace which help to end conflicts through institutions like the UN army.

Helps to promote health through institutions like (WHO) world health organization that help to eradicate diseases which would have destroyed people's lives hence leading to sustainable development.

Helps to deal with the emergency of problems such as technological risks and automation to achieve or attain higher levels of progress and prosperity.

Promotes good principles when involved in accountability, transparency especially when making decision involving more than one state in order to prevent disputes among member states.

Global governance provides timely, original meta-analytical research in support of policy making bodies.

Global policy making is taking shape in wide range of public sector activities managed by trans-national policy communities.

Public policy scholars have long recognized the impacts of globalization on the industrialized knowledge, economies of OECD states.

Tutor Marked Assignment (TMA) study unit 5

Explain how good global governance practices has promoted international relations in the world. Give examples.

Study review question five -study unit 5

- a) Identify and explain the role of good global governance practices in the world.
- b) State the challenges of global governance today.
- c) Explain the role of good global governance practices in sustainable development.

Study review answer question five -study unit 5

- a) It is a movement towards political cooperation among transaction actors aimed at negotiating response to problems that affect more than one state or region. I.e. the way in which global affairs are managed.
 - Decentralizes people's power
 - Reduces poverty
 - Good trade practices
 - Democracy
 - Ethical conduct of business
 - Conserving the environment
- b)
 - Technology
 - Financial crisis
 - Different ideologies
 - Ethnicity
 - Population increase
- c)
 - MDGs
 - Sustainable human development
 - Reduction in poverty
 - International trade
 - Ethical practices