

# THE FINANCIAL CRISIS - GLOBAL GOVERNANCE FAILURE?

Laura AFRĂSINE\*

***Abstract:** The asymmetries created by the non-conventional threats tend to lean the international security toward its human approach. Nevertheless, we now have to deal with the need for international cooperation and with finding complex solution to complex global issues. The international scene can be defined through its need for security and cooperation.*

*This paper aims to analyze the international relations in three directions: the relationship between global governance and international security, the impact of the financial crisis on the world and the need for a new global governance architecture as a solution for stability and sustainability.*

*Considering recent events, we need to find a new paradigm for global governance. The aim of this paper is to put forward the need for global governance reform through government networks. In addition, I consider a heterarchic vision of the new world order.*

***Keywords:** global governance, financial crisis, international security.*

***JEL classification:** F02, F55, F59, P16.*

## 1. INTRODUCTION

The international security environment has changed greatly in the past years. Now, under the pressure of the international financial crisis we have to deal with new risks and threats that can change the security environment for good. That is why the analysis of security governance as well as global governance is crucial at this moment.

The year 2009 is the year in which the whole world will learn the lessons of the crisis. The financial architecture needs reform and future shocks can have unpredictable consequences. All these lead to a diminished fate in international, regional and even local institutions. Practically, the crisis, through its global range, revealed the weakness of global governance and brought new long time risks with it. That is the reason a good governance, a better leadership would lead to restoring faith, to better international cooperation and to greater convergence.

---

\* PhD Student, Academia de Studii Economice, Clădirea Mihai Eminescu, Bld. Dacia nr.41, sector 1, București - cod 010404, [laura.afrasine@gmail.com](mailto:laura.afrasine@gmail.com)

Therefore, by “attacking” both global governance and the security environment we can solve the rest of the long time risks - like environment, resources related risks , etc. The best choice of the moment is good national, corporate and global governance along with restoring faith in global governance institutions. Moreover, a new global governance paradigm might bail out the international economic scene.

The paper is structured in three main parts as follows. The first part describes some of the theoretical concepts that define global security and global governance as well as the links between them. The ideal global governance is supposed to be based on a number of nonhierarchical principles and is able to offer global public goods (which are supposed to be non-exclusive to be efficient).

The second part analyzes the evolution of the financial crisis and the recent events that tend to shape the international relations in the last months. Apart from economic forecasting, the second part summarizes the main impact of the crisis on commerce, international finance, the risk landscape in 2009 and global governance. The risk of protectionism is separately analyzed as it is considered the risk with the highest probability and the higher impact. Long time and short time risks and threats are also considered here and a possible course of action is given.

Taking into account that any crisis is danger as it is opportunity, the solution given by this paper is on the same line as the economic literature: reform of the global governance system. What is different from other papers is that I do not urge the international society to reform the Security Council or to conclude the Doha round, but to consider a new theoretical approach to global governance: government networks.

If we look at the world as if it were a collection of states, we will states as the atoms of international relations. But, if we take a much closer look, we can see the states the same way we see them on a national basis: as a cumulus of functions and organisms. If we look at one state in the same way when it interacts with other states we can then distinguish between two kinds of relationships: vertical and horizontal. The vertical ones take place between the national institutions and the international, superior ones and the horizontal between the national institutions and homologues from other states. Therefore, we have a world that is a system of state subsystems, an elaborate matrix that works both vertically and horizontally.

I put forward here the need for a new view of the international relations: the heterarchic view. Moreover, I also suggest here a series of ideas for an improved global risk management. All these are accompanied by specific references to Romania and its ability to actively participate in such a global governance system.

## 2. GLOBAL GOVERNANCE

### The concept

Globalization brought along a new form of governance. It became a key term in the study of international political economy and international relations, but the concept of global governance is not yet defined for “unanimous and unifying usage in the study of international relations” (Dumitriu, 2005: 246).

Chris Brown considers that state centered international relations are anarchic because they are being driven by sovereignty. His vision can be summarized as follows: though there is no global government - states would not give up their juridical sovereign status - their need to manage and lead has generated extensive global governance networks. Global governance is actually an archaic term which was initial equivalent to government, but later developed a new meaning: “collective impact of the various disparate quasi-governmental institutions which have proliferated (internally and externally) over the last century or more” (Brown and Ainley, 2005: 116-118).

The idea of a global governance became increasingly popular in the last decade despite the fact that its importance is a variable of the geographic area or the issue discussed. But it is certain that in the last 10 years the concept went from unknown to central theme in the study of international relations. Although the reasons to analyze the global governance phenomenon are obvious, the concept is rarely understood in all its complexity. This is proven by the literature (Wilkinson, 2002). Besides a few exceptions the international relations and the political economy as disciplines have avoided to take into account the complex nature of global governance. All these greatly undermine the existing knowledge and the structures.

Most of the times, global governance is treated as a passing trend, as an oxymoron or is simply avoided. The realists from the political economy and from international relations stay faithful to a world that considers states the most important international actors and do not give too much attention to international organizations or non-state actors. Seen through the lens of *realism, global governance is a distributive function of power at global level or result of good practice, norms, behavioral rules and decision procedures developed in time*. Even scholars belonging to institutionalism who claimed that in certain conditions the international institutions have a high impact on world interaction avoid to accept that there is more than an emerging system of global governance.

When global governance is accepted as a phenomenon of our times the subject tends to be seen only from the perspective of international organizations, the two terms being considered synonyms. Therefore, the literature talks about institutionalization as a process begun in the nineteenth century which tried to establish the authority beyond state borders. Although there are many things to be learned about global governance from studying the way international organizations

develop, such a study does not allow a scholar to have a correct approach of the concept. The global governance and international organizations vary greatly: firstly, global governance comprises of a large variety of international actors, not just visible aspects of world political and economic authority (United Nations, World Trade Organization, International Monetary Fund, World Bank Group etc.), but also intergovernmental forums, even the quasi-formal ones like G-8, World Economic Forum, state groups, organizations (UN's Global Compact, International Labour Organization), private organizations (International Chamber of Commerce), private military forces (Sandline International, Executive Outcomes), nongovernmental organizations, transnational religious groups, terrorist organizations, political movements, financial markets, global law firms, multinational companies etc. Secondly, it is important that the way in which international actors associate to manage a wider and wider panel of political, economic or social issues. From this point of view global governance can be considered a multitude of associative forms between global, regional, national or local partners. Therefore, global governance does not suffice multiplying actors or power organizations, but it is also defined by the way all these interact.

As we can see, most research in global governance have focused either on theoretical explanations of the phenomenon, either on empirical studies of institutions that are part of the global governance networks (Biermann, Pattberg, Asselt and Zelli, 2007: 3). Global governance cannot be plainly defined by the mere existence of actors and power points, but also by the complex patterns of interaction between them.

### **The principles of global governance**

Taking into account that the study of global governance analyzes the relationships between various actors of the international system and that global governance is, in fact, a broad definition of a government (Finkelstein, 1995: 370), we can consider global governance a mechanism that covers various international functions (sometimes overlapping). Consequently, any scholar should ask a natural question: governance for what? Governance to create a viable world order, to create a coherent global system i.e. good global governance. Same as good governance at national levels, global governance is based on a series of principles (Coolsaet and Arnould, 2004: 3). These principles are sustained by the existence of inclusive and multipartite institutions of global governance (Rittberger, 2008: 7).

Ngairé Woods makes the distinction between applying the principles of good governance to international organizations interstate relations (international governance) and applying them to the more complex relations found in global governance (between individuals, people, groups and international organizations). Good governance can mean good leadership. In this particular case, institutions exist to soften the imperfections of the market and to offer a large array of public goods.

There is also a second case of good governance when it links institutions and society together in a governance form i.e. the rules that establish social practices, cast roles and guide interactions (Woods, 1999).

The principles of good governance can be the following (Coolsaet and Arnould, 2004):

1. Global governance is not a world government. It is not about creating stronger institutions. It is about raising coherence, efficiency and legitimacy of the existing ones, about identifying and filling the gaps of multilateral institutions and in the law; good global governance creates institutions only where needed.
2. Must be based on rules and on institutionalized multilateralism. The states are the main actors and they choose to share their sovereignty.
3. Multi-level approach - on all authority levels. Global institutions and mechanisms must not replace similar local, national or regional actions, but complement them. Global integration should be encouraged as a starting point for global governance. The success requires reforms and efforts at all levels: responsibility is not only for the international organizations to bear and must not be used by states to shed responsibility.
4. In order to be legitimate, global governance has to be more participative by allowing international non-state actors to play an important part along with the states. Specialized global governance networks, international organizations, transnational corporations, and civil society are instruments for a larger participation and for creating linkages between all those involved.
5. Global governance must be democratic by providing an equitable representation to all states and non-state actors together with transparency and accountability.
6. The European Union has a special responsibility in global governance and therefore it must play an essential part as it can prefigure governance at global level, especially by its distinctive approach to governance, enabling global mechanisms and actions to blend with those at the regional, national and local level. The EU has furthermore to strengthen its ability to contribute to global governance – especially in the fields of sustainable development, poverty reduction, security and peace – by enhancing its cooperation with the United Nations and by strengthening Europe's voice within the UN system.

### **Global public goods**

Good governance tries to explain the characteristics of a process, but the object of the process is considered less. The theory of global public goods seems to indicate the object of global governance (Dumitriu, 2005). At the same time the capacities needed for providing global public goods (efficiently) is the starting point for finding the actors that must participate actively in global governance to provide these goods. Moreover, positive and negative externalities lead to an inefficient allocation of

resources. An institution that efficiently produces such a good has to internalize all these positive or negative externalities. Only such an organization in which all actors are affected by externalities produces efficient public goods (Rittberger, 2008: 11-12).

People need both private and public goods. UNO has brought up the problem of global public goods. Public goods are, by definition, non-rival and non-exclusive; their global nature drives from the quasi-universality of benefits drawing from their usage (Dumitriu, 2005; Global public goods, 1999). Practically, the whole humanity benefits from them.

In the era of globalization, global public goods are more and more important. Among them we can include international settlements and regimes, but identifying global public goods is a difficult task just using the non-rivalry and non-exclusivity criteria. Some goods are more accessible to certain categories of people, without disregarding the two criteria. Producing and maintaining the goods has the unique attribute of increasing predictability in the international relations as well as reducing the risk of conflict. Transaction costs are reduced and therefore there is a tendency to increase cooperation and efficiency in this area (Dumitriu, 2005: 257).

A classification of global public goods can be the following one (Coolsaet and Arnould, 2004: 11-22) :

- International stability and security - the stability of the international system; the responsible powers have to establish a rule-based regime regarding use of force (all states must refrain), proliferation, terrorism, organized crime;
- An international law order: the existence of an international society depends on the existence of shared values, common laws and rules; the rules and the institutions exist, but the deviations are frequent and that is why a new approach is needed: a growing importance of law and law institutions at national level, human rights monitoring systems, responsibility to protect (R2P), a permanent dialogue between civilizations and cultures;
- An open and inclusive economic system - eliminating inequalities;
- Global welfare similar to national human security systems;
- A shared commitment to resolve regional and internal conflicts.

### **Global governance and international security**

In the 21st century, the lack of autonomy, usually characterizing the third world countries, is being felt by other states, but in different proportions. Greater economic integration and erosion of national control over economic decisions and social policies led to elitist global governance: less and less hands have the power. That is why there is a set of requirements for global governance:

**Table 13** *Global governance requirements*

	Material capacity	Knowledge
Legitimacy	Authority	Epistemic validity
Correctness	Good practice	Motivation

Source: Adler and Bernstein, 2005: 301

Security issues, but mostly insecurity ones have always been very important to the international environment. Therefore, it can be said that the study of global governance should begin by directly addressing these issues and not by examining regional cooperation of economic governance.

If those who created the peace projects of the 18th century had the same approach as the theorist who created and re-created the League of Nations in the 1920s and the 1930s (Brown and Ainley, 2005: 133), after 1945, once the “global peace through international law” movement started, the most important collective attempt of the 20th century at changing the international vision on security was the concept of collective security - a system that assumes the commitment of each state for the security of the others. Although this idea has its origins in the universality of the peace projects from the 18th century (all for one and one for all), it was created in order to be operated by states that preserve their decision power when collective security obligation occur, unlike the existence of theoretic institutions in the past centuries. Furthermore, collective security protects a certain status quo, it is a global security system where international institutions do not attempt solving issues but give (or not) their acceptance to those who can do something in order to solve a case. From this point of view, the role of UN is similar to that of papacy in the medieval ages: with the blessing of UN it is alright to act, but that does not mean that without is impossible (Kosovo, Iraq). United Nations remains the single source of legitimacy regarding the use of force in international relations (Brown and Ainley, 2005: 137).

A global system of collective security can function only if is sustained by a solid institutional basis. Until now this was created in the 1945 by the United Nations Organization, with global focus on security. There are other forms that promote global security through groups that belong to the global governance architecture: The Group of Eight (Kirchner, 2007: 14; Kirton, 2002: 191), The Group of Twenty; a higher interaction between regional organizations a simultaneous cooperation of these with the UN.

### 3. THE INTERNATIONAL FINANCIAL CRISIS

The conclusion of the World Economic Situation and Prospects report (World Economic Situation and Prospects 2009, 2009) is grim: the world economy enters recession, being caught in the worst crisis since the Great Depression<sup>82</sup>. What initially seemed to be a crack in the sub-prime system of the American house market during the summer of 2007 started to be a global process, a collapse of major banking institutions, stock exchange crashes and credit crunch. These financial shocks turned rapidly into a complex economic crisis. Most countries entered recession with a perspective that both developed and developing countries will slow down their growth dramatically, including those with positive economic performances. The GDP growth will slow down considerably according to UN predictions: down to 1% from an average of 2.5% in 2008. Economic growth for transition economies will be slowed down even more, reaching 4.8% in 2009 according to the same source.

Due to the uncertainty in the international system, it is possible that the world will witness a pessimistic scenario. If the credit market will continue to be frozen and the trust in the financial sector is not reestablished than even developed countries can witness a severe recession.

#### **The origins of the crisis**

Financial chaos during September and October 2008 revealed the systemic nature of the crisis and strengthened the fears of severe global recession. The problems started from the developed economies, but the frailty of the international financial system is linked to a global pattern of unsustainable growth. Along with financial lack of settlement and the multitude of new financial instruments and risk management techniques it encouraged a massive accumulation of financial instruments sustained by the growing level of debt in the corporate sector, the public sector but also the households. The growth of financial debt reached four to five times the volume it had in the 1980s and lead to accentuated securitization. Removal of the leverage that the fragile economic environment was built on resulted in the collapse of financial institutions and evaporation of global liquidity, thus undermining the real economy (World Economic Situation and Prospects 2009, 2009).

The economic boom came from ignoring risks. The decision makers initially ignored systemic risk and proper evaluation of the extent of the crisis. The approach consisted in liquidity injections into the financial system and saving of important financial institutions, while others went bankrupt. After September 2008 it was

---

<sup>82</sup>Recession is considered a milder form of depression (Mankiw, 2007: 4). Recession is defined as a period of at least two consecutive quarters in which the real GDP is decreasing. This definition is not always applicable e. g. during the 2001 recession there were two quarters of negative growth, but were not consecutive (Mankiw, 2007: 253). Recession is usually associated with incomplete usage of capital and labor force (Stiglitz and Walsh, 2005: 561).



obvious that the international economy needed another approach, a more comprehensive and coordinated response at a global level.

The efficient management of the crisis was brought into discussion. This consisted of public funds to recapitalize banks, government guarantees for bank deposits and other equities, fiscal and monetary stimulus in order to prevent turning the crisis into a disaster for humanity. Policies were created to reestablish trust, to de-crunch the credit and monetary markets through recapitalizing banks with public funds and guarantees. In December 2008 a new series of congestions and dysfunctions appeared in the system. The reality is that all those politics need time to be proven efficient, months at least. Usually, financial issues are felt in the real economy with a lag, but not before the major economies face economic contraction and these politics show that their costs are huge for the moment.

### **Implications for international finance and commerce**

There are immediate implications of the financial crisis upon the international financial system and also on international commercial activities. These can be summarized as follows:

- a) commodity prices are more volatile; oil prices decreased with more than 60% from July to November 2008; grain prices also dropped significantly;
- b) international commerce perspectives are grim: growth has been reduced to 4.3% at the beginning of 2008, compared to 6.4% in 2007 especially due to declining US imports; in September 2008 the growth was only 3%, a third compared to the previous year and there are chances that the rates of growth will drop even more (World Economic Situation and Prospects 2009, 2009);
- c) the financial system in developing countries is somehow insulated by limited exposure to mortgage derivatives, but risk in these countries is caused by the withdrawal of foreign investors as part of the leverage process applied to financial institutions in developed countries; low external financing along with a contraction of the credit market can be catastrophic for these economies;
- d) exchange rate volatility raised: the dollar depreciated in the first half of 2008 compared to the other currencies, especially compared to the euro, but this evolution was quickly reversed, being even faster; consequently, the currencies of commodity exporters depreciated substantially compared to the dollar in the last half of 2008, but there the fear that the power of the dollar will be short lived is stronger than ever.

### **Short run economic risks**

The collapse of security prices is just the beginning of a chain of events. This chain exposed the systemic vulnerabilities and triggered new risks (2009: 9):

- a) deterioration of fiscal positions: USA, Great Britain, France, Italy, Spain, Austria have considerable deficits, and government spending for aiding financial institutions and for sustaining economic growth will worsen the already unstable fiscal positions of these countries; moreover, the increasing costs associated with health and pensions will generate further pressure on their governments;
- b) a significant decrease of the Chinese economy. The risk of hard landing is high and such a procedure would weaken the financial system and will create social tensions in China. The Chinese government has reserves of over \$2,000 in order to prevent renminbi appreciation; the currency appreciated in the first half of 2008, but stabilized afterwards due to the powerful dollar. If the strength of the dollar is temporary, then the renminbi will appreciate uncontrollably;
- c) decreasing equity prices: the markets fall by more than 50%. This lead to a vicious circle: a drop in prices followed by a sharp decrease in value, capital positions pressure and loosening of the leverage effect all together resulted in a contraction of economic activity and to credit loss;
- d) inflation is replaced by deflation: the uncertainty of the financial sector, decreasing equity prices, credit market situation, weak demand, growing unemployment resulted in a deflationary circle; the risk of deflation can be considered only on short run because in the long run the world is facing inflationary risks caused by monetary stimulus and growing public debt.

All the above risks underline the need for long run policies which will be able to neutralize the risk of low infrastructure investment or that of climate changes. These risks seem unimportant in the short run, but, on the long run must be considered as carefully as the consequences of government intervention and settlements: failure reward, inefficient companies and industries aid or unequal access to government funding. In the end the consumers are the only ones who suffer from all these. If there are government interventions they should have a clear exit strategy defined by limited duration and well-established rules for funding certain sectors of the economy.

Therefore, risk management is not only about identifying and understanding the individual risks, but about considering the relationships between all risk categories and even the least plausible scenarios. Without a doubt the financial crisis is a global phenomenon and it proved the gaps and the limits of the international financial architecture. A good international management should be based on at least a few elements of international coordination:

- A. an efficient early warning system;
- B. a more efficient framework for international solutions;
- C. international coordination of decision makers; even a supervising committee is acceptable; its role should be that of systemically monitoring the most important financial institutions and companies (Rogers, 2008).

### **Global governance - solution for stability and sustainability**

The financial crisis revealed the defects of global governance. The G-8 and G-20 summits were in fact discussion round tables to find collaborative solutions for the crisis. Meanwhile, while the governments deal with the financial turmoil, there are other risks (climate changes, food security, poverty reduction, failed and unstable states, etc.) that are not being considered properly according to their long run importance.

The gaps of global governance become more and more obvious. Global security or economic institutions functioning at this moment were created in the period following the Second World War their mandate and their resources are no longer valid today. Economic, demographic changes were not reflected in the governance of such institutions or in their decision making structures. The exchange of roles between public and private sectors was not considered either. Global risks do not limit themselves to borders and therefore they ask for global solutions that are beyond the power of any government. Consequently, the existing global governance architecture cannot operate simultaneously with governments, the private sector and civil society.

The analysts of the World Economic Forum consider that all these issues should be dealt with following these steps (Global Risks 2009, 2009):

- a) a greater commitment and a new leadership for global issues;
- b) a debate framework and shared responsibility;
- c) combining public and decision makers authority in order to stimulate innovative processes;
- d) reforming existing institutions (especially the Security Council);
- e) new mechanisms for resource problems.

The extent of the crisis and global recession revealed another issue: the tendency of retrenchment from globalization for both developed and developing countries. The tendency is greater for the latter category due to the pressure put on their economies. I consider that the globalization is not a reversible process, but protectionism as a form of insulation or the refusal to cooperate on issues like climate change, resources or international security put the international scene in danger and develop new risks and threats.

We may be dealing with a return of the nation state (Friedman, 2008) as every country acts for itself in a new security environment because there is no possibility for collective action through the existing global governance. Such a behavior must be preempted by solving global governance issues even if the moment might seem inappropriate. Even before the crisis unfolded the developing economies had a hard time accepting the trade-off between economic growth and environmental costs. Now, when economic growth tends to turn negative, the risk is even higher. Only internationally coordinated efforts that are backed by local initiatives will be able to

solve long run risks efficiently without disregarding the environment, the resources or the geopolitical tensions.

#### 4. SUGGESTIONS AND CONCLUSIONS

##### **Improving global governance to answer risks better**

Reform of global governance is an idea that is used and abused in the relevant literature, especially in the last years. At this moment, considering the financial crisis the main risk for the international security scene (on the short and long run), there is an acute need to reform the paradigm of global governance. This step must be made quickly and efficiently in order to answer the needs of the international relations of the 21st century.

Among the requirements of good global governance we found, *inter alia*, efficiency, transparency, democracy and all the other principles of a good governance regime as presented earlier. Such a reform should be sustained by consistent actions at global level, but we must consider that the international legal system is still focused on the nation state. Furthermore, the paradigm of international cooperation is still the multilateral international treaty (Slaughter, 2004: 12) as a document that requires extensive negotiating that usually takes years. Considering that his approach is still standing despite the changes suffered by the international system lately, I will analyze a possible evolution of global governance that might surpass this misdemeanor without much effort.

The states implicated in international or regional cooperation processes must speak with only one voice, while being represented either by the chief of state, either by the foreign affairs minister. All differences and divergences within the state are being solved internally, not internationally. But we can have a different approach: if on a national level executive or legislative actions are being considered before seeing the state as an indivisible particle we can do the same thing at an international level and see the state as a complex collection of mechanisms. At this point the literature tends to consider global governance a black box where all kinds of processes are being done, but that cannot be divided into small pieces following the model we use to analyze the state at a national level (Afrăsine, 2009). That is why the international environment needs a change of attitude.

Looking at the international scene as a whole through the perspective of nation states we will end up seeing international relations as driven by traditional international organizations or other institutions created and formed by formal delegations of nation states. Oppositely, if one sees the states as international actors, but as dividable ones a new international landscape appears.

In this context, I consider that new forms of global governance appear. The most important ones are the government networks or the trans-governmental networks

as they were initially referred (Krahmann, 2005a; Krahmann, 2005b; Raustiala, 2002; Slaughter, 2004; Webber, Croft, Howorth, Terriff and Krahmann, 2003). There are two types of governance networks: vertical and horizontal. The horizontal ones deal with interactions between government institutions and the similar ones from other nation states, while the vertical ones deal with the relationships between specialized national institutions and their supranational equivalents, the international organizations that have a similar profile. Consequently, the international system appears as a complex matrix comprising vertical and horizontal international relations.

The international relations system takes the form of a matrix where every point can represent either a national institution, either an international organization, either a group of the civil society, etc. Every element of the matrix interacts with each other both vertically and horizontally and forms a complex interacting system.

Government networks are not a new phenomenon. Specialized international organizations like Universal Postal Union (1848), Food and Agriculture Organization (1945), World Health Organization (1948) were, from the beginning, cooperation forums for national decision makers, but also the object of many studies. What is new about government networks is their proliferation, their amplitude, target and the power they have.

Robert Keohane and Joseph Nye discussed in 1974 a first form a governance networks (Eilstrup-Sangiovanni, 2007). They distinguished between three modes of international cooperation: inter-state or inter-governmental, trans-governmental and transnational. Inter-governmental relations were referring to diplomatic interactions between sovereign states; trans-governmental cooperation was comprised of direct interactions between sub-units of various governments, and the transnational one was the cooperation lead by non-state actors, independently of the states. Trans-governmental networks discussed by Keohane and Nye were part of what we understand today by government networks. The latter involve the vertical and horizontal cooperation that leads to a matrix-form view of international relations.

The differences between inter-governmental and government networks cooperation goes beyond dichotomies like formal/informal or hard/soft. Basically, the differences refer to membership, structure, formality, relationships between components and decision making or implementation as they can be seen in Table 14.

**Table 14** *Main characteristics of intergovernmental relations and government networks*

Characteristic	Intergovernmental	Government network
Membership	unitary states	agents or state officials
Structure	centralized/hierarchic	decentralized
Political visibility	high	low
Law	high	low
Compulsiveness	high	low
Irreversibility	high	low

Characteristic	Intergovernmental	Government network
Relationship between components	rule-based	trust-based
Scope	wide	narrow
Decision making	qualified majority or consensus	consensus
Support for implementation and compliance	high	low

**Source:** adapted after Eilstrup-Sangiovanni, 2007

As of now there are many security issues (terrorism, proliferation) that are being solved directly by various sub-state agencies that complement intergovernmental relations. These networks include armies, intelligence agencies, foreign affairs officials and militias (Krahmann, 2003; Webber et al., 2003). In other words, there is a precedent for including government networks in the area of high politics.

The world order should ideally be a global governance system that institutionalizes cooperation and prevents conflicts well enough to allow nations and citizens benefit from peace, prosperity, acceptable living standards, etc.

In a matrix as the one described the complex relations inside it must favor a settlement export from strong to weak states. Practically, convergence can lead to better results than an international system or an international regime where the authority, legitimacy and sovereignty are always questioned. The international institutions are a secure source for the import or rules. There will be differences imposed by different culture, different history, politics or path dependency, but in such a matrix we will deal with an informed refuse to comply (ideally). This is why it can be said that the need for convergence might lead, in some cases, to informed divergence. Consequently, better governance will lead to higher convergence, meaning the wider cooperation inside the matrix.

The essence of government networks appears to be a greater decentralization which accompanied by a rigorous good governance principles leads to an increase of international cooperation. Moreover, if the international relations are seen as a global governance matrix, then the settlements might be seen in a similar manner: matrices/settlement networks that overlap the initial matrix.

The credibility of each member that adopts decisions will grow because every single actor guards its reputation inside the network and can do so only if adheres to norms. If we compare the element-matrix relation with the agent-principal relation, then no single agent can raise the credibility of the principal. The other members know when one member has not fulfilled its obligations and can decide to exclude him from future actions. The network confers even a certain status for each member. The membership is obtained on a selective basis, increasing the convergence even before integration. This principle should be applied more often in global governance. For

example, The European Union proves to be a model of global governance because it effectively applies these principles.

Therefore, general decisions are better because they are complex decisions for complex problems:

- a) are based on more information on individual preferences and on their consequences;
- b) the decision process must be based on brainstorming and only those solutions that serve general interest should be considered;
- c) members should be encouraged to accept solution based on individual analysis;
- d) analyzing decisions makes them legitimate and leads to greater commitment and social awareness.

Risks and crisis have a positive impact by the opportunities that they offer and that is why global governance should focus on the positive conflict. Good international relations are based on good reputation, trust, reciprocity and interdependency. Robert Keohane notices that a positive conflict is a corollary of all these: good reputation, trust and reciprocity favors cooperation and positive solutions for any conflict (Slaughter, 2004: 211). This approach might be a solution for informal groups from global governance, like the G-8. The more they engage government networks in their activity, the more they gain legitimacy and become more efficient.

For networked global governance there must be certain conditions (Eilstrup-Sangiovanni, 2007; Rittberger, 2008):

- small groups with common preferences - less need for arbitrage and sanctions;
- necessity and time horizon - government networks work better when there is no time limit and the needs are in the long run;
- uncertainty - gives real chance to networks;
- national politics - government prefers networks when its national politics is different from the others in the group;
- exclusive clubs and lack of free riders.
- inclusive international institutions formed of both private and public actors.

If some scholars believe that at this moment the international relations are ruled by anarchy, they can be seen as ruled by heterarchy (Rittberger, 2008). This vision on international relations works well with the government networks presented earlier. A heterarchic world order is based on the actions of a large variety of public and private actors which are, formally, independent, but inter-dependent. This idea of heterarchy is the natural next step from non-polarity, a condition the world is in. world governance in heterarchic terms does not assume that there should be a world government or a global state or a hegemonic power or an empire. It is based on reciprocity of rules and crisis management as the power is held by many hands. The consequences of such a world order can be summarized by greater inter-dependencies, accelerated institutionalization and conflict decrease.

## Risk management

The solutions for a better approach regarding risk management at international levels are greater involvement of civil society, knowledge, consideration of risk consequences and greater civic responsibility. What better risk management needs is better global governance. Therefore, although the financial crisis seems to be a danger for the international system it is as much an opportunity to reform global governance and manage future risks better.

Because the best response to risk proliferation is better cooperation, and better cooperation at international levels can be realized by efficient global governance, I proposed a new paradigm for global governance and world order: the government networks. These have many advantages but also disadvantage:

**Table 15** *Advantages and disadvantages of government networks*

Advantages	Disadvantages
Efficient and quick communication	Slow and difficult decision making
Low costs for implementation and compliance	Low credibility and patched implementation
Scalable	Limited goal
Adaptability	High negotiation costs due to frequent renegotiations

The power ratio on the international scene is shadowed by the greater number of asymmetric and emerging threats, risks and vulnerabilities. Will a new global architecture solve the complicated issue of power asymmetries? Powerful states will continue to have unequal relations with international institutions and the vertical relationships in government networks will favor imposing on the less powerful states.

In conclusion, we need new global governance and any new vision should be debated and analyzed in the context of an ever greater capacity for strategic analysis at national and international level. We can be part of it as Romania should start by creating new political elite, a strategic analysis capability and by developing the strands of civil society.

## BIBLIOGRAPHY

1. Adler, Emanuel and Bernstein, Steven (2005), "Knowledge in power: The epistemic construction of global governance", (in: Michael Barnett, and Raymond Duvall-Ed., Power in global governance), Cambridge: Cambridge University Press, pp. 294-318.
2. Afrăsine, Laura (2009), "Guvernarea globală dincolo de G8", Romanian Economic Journal, in press.
3. Biermann, Frank, Pattberg, Philipp, Asselt, Harro van, and Zelli, Fariborz (2007), "Fragmentation of global governance architectures: The case of climate policy", Global Governance Working Paper No. 34.
4. Brown, Chris and Ainley, Kirsten (2005), Understanding international relations, Houndmills, Basingstoke, Hampshire, New York : Palgrave Macmillan,.



5. Coolsaet, Rik and Arnould, Valerie (2004), "Global governance: The next frontier", Egmont papers, no. 2, Brussels: Egmont.
6. Dumitriu, Petru (2005), Reformarea sistemului Națiunilor Unite și gestionarea consecințelor globalizării, Thesis, București: ASE.
7. Eilstrup-Sangiovanni, Mette (2007), "Varieties of cooperation: Government networks in international security", EUI Working Papers, No. 24.
8. Finkelstein, Lawrence S. (1995), "What is global governance", *Global Governance*, Vol. 1, No. 3, pp. 367-372.
9. Friedman, George (2008, October 27), "2008 and the return of the nation state" Stratfor.
10. Kaul, Inge (1999), *Global public goods*, New York: Oxford University Press.
11. Kirchner, Emil J. (2007), "Regional and global security: Changing threats and institutional responses" (in: Emil J. Kirchner and James Sperling-Ed., *Global security governance : Competing perceptions of security in the 21st century*), New York: Routledge, pp. 3-22.
12. Kirton, John J. (2002), "The G8, the United Nations, and global security governance" (in: John J. Kirton and Junichi Takase-Ed., *New directions in global political governance: The G8 and international order in the twenty-first century*), Hampshire; Burlington: Ashgate, pp. 191-208.
13. Krahmman, Elke (2003), "Conceptualizing security governance", *Cooperation and Conflict*, Vol. 38, No. 1, pp. 5-26.
14. Krahmman, Elke (2005a), "American hegemony or global governance? Competing visions of international security", *International Studies Review*, Vol. 7, No. 4, pp. 531-545.
15. Krahmman, Elke (2005b), "Security governance and networks: New theoretical perspectives in transatlantic security", *Cambridge Review of International Affairs*, Vol. 18, No. 1, pp. 19-34.
16. Mankiw, Gregory (2007), *Macroeconomics* (6th ed.), New York: Worth Publishers.
17. Raustiala, Kal (2002), "The architecture of international cooperation: Transgovernmental networks and the future of international law", *Virginia Journal of International Law*, No. 43, pp. 1-92.
18. Rittberger, Volker (2008), "Global governance: From 'exclusive' executive multilateralism to inclusive, multipartite institutions", *Tübinger Arbeitspapiere Zur Internationalen Politik Und Friedensforschung* No. 52, <http://tobias-lib.ub.uni-tuebingen.de/volltexte/2008/3672/>, [Accessed 17.03.2009].
19. Rogers, Paul (2008, November), "The tipping point?. Oxford: Oxford Research Group", ORG International Security Report, <http://www.oxfordresearchgroup.co.uk/>, [Accessed 19.12.2008].
20. Slaughter, Anne-Marie (2004), *A new world order*, Princeton: Princeton University Press.
21. Stiglitz, Joseph E. and Walsh, Carl E. (2005), *Economie*, București: Editura Economică.
22. Webber, M., Croft, S., Howorth, J., Terriff, T., and Krahmman, E. (2003), "The governance of european security", *Review of International Studies*, Vol. 30, No. 1, pp. 3-26.
23. Wilkinson, Rorden (2002), "Global governance: A preliminary interrogation" (in: Rorden Wilkinson, and Steve Hughes-Ed., *Global governance : Critical perspectives*), New York: Routledge, pp. 1-14.
24. Woods, Ngaire (1999), "Good governance in international organizations", *Global Governance*, Vol. 5, No. 1, p. 39.
25. World Economic Forum (2009), *Global Risks 2009*, [http://www.weforum.org/pdf/globalrisk/globalrisks09/global\\_risks\\_2009.pdf](http://www.weforum.org/pdf/globalrisk/globalrisks09/global_risks_2009.pdf), [Accessed 15.02.2009]
26. United Nations (2009), *World Economic Situation and Prospects 2009*, New York.