

**G A BETTER
GLOBALIZATION**

Advance Praise for *A Better Globalization: Legitimacy, Reform, and Governance*

“This is a thoughtful book by an experienced practitioner. Kemal Derviş’ experience as a senior official at the World Bank followed by his work as a key policy maker in Turkey, and that too at a most difficult time, gives him the perspective needed to consider deep reforms in global governance and to discuss the complex politics involved in a global setting.”

Montek Singh Ahluwalia
Deputy Chairman of the Planning Commission for India

“Reformers are frequently seen by decision makers as visionaries whose proposals make sense ‘in theory’ but never work ‘in practice.’ The author’s proposals are both idealistic and practicable. Decision makers have no excuse. If they really feel committed to a better global governance, they cannot ignore this book by Kemal Derviş.”

Giuliano Amato
Senator, Italian Senate
Former Prime Minister of Italy
Former Deputy President of the European Convention
Vice-President of the Party of European Socialists

“Kemal Derviş, who has lived and worked with international public institutions throughout his distinguished career, correctly sees global governance as the chief international problem to be solved by the coming generation. Among other proposals, his book presents one of the most imaginative solutions to the problem of reorganizing the United Nations that I have yet seen.”

Francis Fukuyama
Bernard L. Schwartz Professor of International Political Economy
John Hopkins University, SAIS

“In the 21st century, international cooperation in diverse fields extending from economic matters to security issues, from environmental protection to the fight against disease is more important than ever. Using his national and international experience, Kemal Derviş addresses the key challenges of our time with imagination and determination.”

Abdullah Gül
Deputy Prime Minister and Minister of Foreign Affairs of Turkey

“In the 21st century, ensuring that the benefits of globalization flow to all people will depend greatly on how well international institutions work to this end. Building on his extensive experience as Finance Minister of Turkey and from his decades of leadership at the World Bank, Kemal Derviş brings unique insight into improving the effectiveness and legitimacy of global institutions.”

Paul Martin
Prime Minister of Canada

“This book is a thought-provoking contribution to the debate on globalization, the new ideological battleground of the 21st century. Striking a balance between idealism and pragmatism, Kemal Derviş makes a compelling case for building a new institutional architecture that is acceptable to advanced and developing countries alike, so that the benefits of globalization may be shared more equally. Ultimately, he demonstrates a reassuring belief in the power of good public policy to shape a better society and in the power of ideas to change the world.”

George Papandreou
Former Foreign Minister of Greece
Chairman, Pan-Hellenic Socialist Party

“How can we enhance the legitimacy of globalization while rendering it more effective? Kemal Derviş weighs in on the greatest debate of our time with great authority, powerful arguments, and his characteristic humanism. Washington and Brussels better stand up and take notice!”

Dani Rodrik
Professor of International Political Economy, Harvard University

“Kemal Derviş played a critical role in his country’s overcoming one of the worst economic crises of the post-war period. In this book he skillfully uses his extensive national and international experience to discuss some of the difficult global issues of our time.”

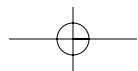
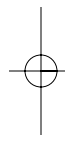
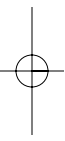
Brent Scowcroft
Former US National Security Advisor
Member of the UN High Level Panel on
Threats, Challenges and Change
President of the Forum for International Policy

“For all of us who have been waiting to hear concrete proposals for introducing the missing human and social elements into the mechanical processes of globalization, this book is a most timely arrival. Derviş treats the problem in a remarkably comprehensive manner, considering the roles of all the relevant national and international actors and making suggestions for reform in each case, whether this be the United States or the United Nations.”

Erdal İnönü
Former Deputy Prime Minister of Turkey
Former Chairman of the Turkish Social Democrat Party

“Kemal Derviş raises the right questions and provides excellent answers about fundamental global governance issues. If one is looking for out-of-the-box ideas on these matters, this is certainly the book to read.”

Ernesto Zedillo
Former President of Mexico
Director, Yale Center for the Study of Globalization
Co-chairman, International Task Force on Global Public Goods



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Legitimacy, Governance, and Reform

KEMAL DERVIŞ

in cooperation with

CEREN ÖZER

CENTER FOR GLOBAL DEVELOPMENT
Washington, D.C.

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*Don't look down on anyone,
Never break a heart,
The mystic must love all seventy-two nations.*

YUNUS EMRE

*Turkish Sufi-Muslim poet and philosopher
of the thirteenth century*



The Center for Global Development is an independent, nonprofit policy research organization dedicated to reducing global poverty and inequality and to making globalization work for the poor. Through a combination of research and strategic outreach, the Center actively engages policymakers and the public to influence the policies of the United States, other rich countries, and such institutions as the World Bank, the IMF, and the World Trade Organization, to improve the economic and social development prospects in poor countries. The Center's Board of Directors bears overall responsibility for the Center and includes distinguished leaders of nongovernmental organizations, former officials, business executives and some of the world's leading scholars of development. The Center receives advice on its research and policy programs from the Board and from an Advisory Committee that comprises respected development specialists and advocates.

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Preface

Global markets require good global politics. Today we have globalization without representation—and thus without the checks and balances, the rule of law, the level playing field, and most important of all, the sense of ownership and legitimacy that democracy brings to market economies. That is the fundamental message of this new book.

From its inception, we at the Center for Global Development have been determined to deal not only with issues of efficiency and effectiveness in how the global system affects the world's poor, but with issues of fairness and legitimacy as well. This book attacks both issues squarely, calling for a re-thinking and reform of the international “governance” architecture set in stone after World War II now more than 60 years ago. In a world in which problems—of disease, drugs, and terror—have no respect for national borders, Kemal Derviş addresses what will surely emerge as a central challenge of this new century: What system of global governance would recognize the enduring importance of nation states while providing a greater sense of democratic legitimacy for the citizens of poorer and less powerful countries? Is it possible to reform the International Monetary Fund,

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the World Trade Organization, the United Nations, and other international institutions so that they are not only more effective but more respected and legitimate in the eyes of all the world's citizens? In a world of transnational threats, failing and undemocratic states, and limits to collective action, what does multilateralism mean in practice, both in the political and economic domains?

Kemal Derviş is an optimist. In his call for a better globalization, he invokes the example the Western liberal market democracies provide: of a synthesis between the benefits of unfettered markets and civilizing socialism. Navigating between careful realism and bold idealism, and drawing on his experience as a former senior official of the World Bank and a former minister of economy in Turkey, he formulates a vision encompassing both changes in the governance structures of the United Nations, the IMF, the World Bank, and the WTO and changes in certain of their policies and practices. Based on his experience as a member of the European Constitutional Convention, he uses the experience of Europe to argue that the 21st century requires forms of regional integration that do not compete with but are complementary to the progress of global governance.

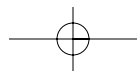
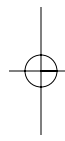
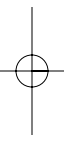
Derviş argues that a better globalization requires change in both the political and economic domains and must start with a renewed and modernized United Nations. Within the overall and legitimizing umbrella of a modernized UN, the specialized institutions such as the World Bank, the IMF, the WTO, the UN agencies themselves, and such regional institutions as the regional development banks should preserve their operational autonomy. In the middle income countries like his own Turkey, the economic institutions should move beyond assistance for short-term stabilization efforts and develop mechanisms to bring down the excessive debt burdens inherited from the past. In the least-developed countries the rich countries should recognize the logic of a concerted big-push strategy to help these countries break out of the poverty and debt trap—a big push that will require a doubling of concessional resources but also well designed and comprehensive conditionality. Regarding trade, Derviş stresses that its tremendous potential to bring faster and more sustained growth to all countries will only be unleashed if and when the hearts and minds of people are won over to it. That requires transforming not only the WTO framework but the entire governance of the international economic system into something more responsive to people's concerns—in

the rich and poor world alike. Change and adjustment need to be managed pro-actively so that losers can be compensated and overall gains realized.

The huge costs of armed conflict, the great challenges of state failure, the slow pace of international actions that would allow the world to reach the Millennium Development Goals, all point to the constraints to progress constituted by weaknesses in the global institutional framework and the need for more effective international cooperation. Burden sharing among rich countries and sustained policy and implementation reforms in the developing countries must come together within an international institutional architecture that is legitimate and effective. As recognized by the work of the High Level UN Panel appointed by Secretary-General Kofi Annan, as well as by the report prepared for the June 2003 EU summit by High Representative Xavier Solana, political and economic factors are inextricably linked in determining the extent of human security and development. If we want liberal democratic values to triumph and our security to be strengthened, we must recognize that “consent cannot stop at the borders of the nation state” (chapter 1) and that the institutional framework within which we all work on development and security must adapt to the requirements of the 21st century. The Center for Global Development is pleased to offer readers in this book a vision of a global institutional framework that is bold and deeply pragmatic, and in which our preoccupations with equity, democratic participation, and broad and sustained development progress around the world are central.

NANCY BIRDSALL

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Washington, D.C.*



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This book draws on the many meetings and exchanges with friends who share the hope and passion for a better globalization across the world. Many have already made critical contributions as political or intellectual leaders to greater justice and better governance. I would like to thank in particular Montek Ahluwalia, Giuliano Amato, Pervenche Beres, Matt Browne, Ozan Ceyhun, Olaf Cramme, Anthony Giddens, Elizabeth Guigou, Antonio Guterrez, Francis Fukuyama, Mary Kaldor, Maria Joao Rodriguez, Pierre Schori, Dominique Strauss Kahn, Peter Mandelson, Marcel Mersch, Moises Naím, Vural Öger, Cem Özdemir, George Papan-dreou, Poul Nyrup Rasmussen, Jean Michel Severino, Gayle Smith, Bernard Soulage, Strobe Talbott, Christoph Zöpel, and Peter Westmacott. I have had excellent discussions on global and regional issues with my colleagues from the Balkan commission including Carl Bildt, François Heisbourg, Ilir Meta, as well as Sandra Breka from the Bosch Foundation, whose knowledge and enthusiasm helped us all so much. Some of the inspiration for this book comes from my earlier days working on the Balkans and from the spirit of the people of Sarajevo, a city where four great religions lived together harmoniously in a secular society before it had to go through a war imposed on it by a return to the tribalism of the past. It survived with great courage and, I hope, will soon again be a thriving European capital.

Many thanks are also due to all my colleagues on the International Task Force for Global Public Goods, in particular Sven Sandstrom, the project director, and Gareth Evans, Enrique Iglesias, and Nafis Sadik, who were also on the high level UN panel on security issues, and with whom I have had good discussions on UN reform. I am deeply grateful to Ernesto Zedillo, president of the Task Force and former president of Mexico, for his very special encouragement to be bold in my proposals, his incisive comments and the example he sets as a global intellectual and political leader. I have also benefited from careful comments by Stephanie Griffith-Jones.

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