STAKEHOLDERS OF ECONOMIC GOVERNANCE: EUROPEAN PERSPECTIVE

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1. Globalization and Crises – Impact on Governance

Globalization is a critical phenomenon of the recent period. However, it is not automatically followed by global approach on the governance side. Therefore, there is an asymmetrical situation.

This article[1] addresses global economic governance from the stakeholders' angle. The paper first looks at the changing political and economic environment which is triggering new governance needs. Then, it follows with identifying who the stakeholders are and what is their role at various stages of the governance process. After that, it analyzes three case studies. Finally, the paper offers a European perspective and ideas and mutual global – European inspiration for economic governance.

Global governance could mean different things, ranging from the illusionary temptation of a global government to soft leadership or informal discussions. The starting point of this article is that we are living in a world where states are the masters of their sovereignty. They can voluntarily share this sovereignty with others, delegate it or keep it.

Let us start with the definition. The term 'global' refers to governance beyond the boundaries of a sovereign state on a large, global, scale (in practice, it is limited to a non-exhaustive list of countries which are relevant to the global economy). 'Governance' refers to 'the sum of the many ways individuals and institutions, public and private, manage their common affairs. It is a continuing process through which conflicting or diverse interests may be accommodated and cooperative action may be taken. It includes formal institutions and regimes empowered to enforce compliance, as well as informal arrangements that people and institutions either have agreed to or perceived to be in their interest'[2] or more simply 'the setting of rules and their enforcement which differ widely according to the nature of competences'.[3]

When discussing the stakeholders' involvement, it is important to distinguish, on the one hand, what actors can initiate, influence or try to influence the decision, and, on the other hand, the decision-making itself. The actors can include multiple stakeholders, while the decision-making is a narrow stakeholder issue. There should not be confusion between the increasing number of categories of stakeholders who are impacted by global governance, and the narrow group of public stakeholders involved in decisions. Of course, multinational companies, cities, regions, the media, and civil society in general are now

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[1] This article is a version of the contribution presented at the Asia-Europe Workshop Programme 'Global Economic Governance in Asia: Through the Looking Glass of the European Sovereign Debt Crisis', Lee Kuan Yew School of Public Policy, November 19–20, 2012. The Russian translation is planned to be published in one of the forthcoming issues of the journal *Vek globalizatsii* ("Век глобализации").

[2] The Stanley Foundation's Thirty-Fourth United Nations of the Next Decade Conference 'Global Governance: Defining the United Nations' Leadership Role'. Adare Manor, Limerick (Ireland), June 13–18, 1999. URL: http://www.stanleyfoundation.org/publications/archive/unnd99.pdf.

[3] Cloos, J. 'Incentive' Governance: A Key Component of a Future European Economic Government // Studia Diplomatica. – 2011. – Vol. LXIV, Num. 4. The European Union and Economic Governance.

more involved in shaping governance, and the frontiers for the free movement of people, capital, goods and ideas are more open than in the past, but it is the governments and parliaments which decide in the end.

On the global scale, the fast pace of globalization in the last decades has resulted in increasingly interdependent countries and regions. International trade and finance have grown faster than GDP and have been an undisputed source of growth and prosperity.[4] However, it has also been shown that the sudden reversal in trade and finance can be very disrupting – economically, socially and politically. Indeed, globalization relates to international spillovers, and these can be both positive and negative.

David A. Mayer-Foulkes[5] finds the long-term roots of the current economic crisis in the dynamics of globalization and in the link between the acceleration of the world growth rate, increases of inequalities in leading countries and a situation where the interest rate decreases if capital accumulates at a faster rate than technological change.

Global financial stability and global economic growth can in this sense be interpreted as global public goods. The strengthening of global safety nets and firewalls to deal with emergencies could be an example of such goods, and these require global fora and institutions to deliver them. Importantly, the need for such an international cooperation seems to be a broad-based desire by many stakeholders, including policymakers, analysts and private sector.

The traditional institutions involved in global economic governance were the Bretton Woods institutions and the World Trade Organization. However, a shift took place with the Asian crisis of the late 1990s, where the G7 was unable to efficiently lead the way out of the crisis. Then the G20 was established, bringing together major advanced and emerging economies to stabilize the global financial market. Later, in 2008–2009, as a result of the financial and economic crisis, the G20 members were called upon to further strengthen international cooperation, and G20 Leaders' Summits were held for the first time.

At the EU level, efforts to deal with the euro crisis are to some extent parallel to those by global fora and institutions at the global level. Indeed, calls for increased governance in the EU have equally highlighted the need for strengthening stabilization tools and for stronger policy coordination (a reinforced architecture for the Economic and Monetary Union).

2. Who are the Stakeholders of Global Economic Governance?

The stakeholders in broad terms are the actors involved in the process of establishing global economic rules.

To understand the role of the stakeholders in economic governance in the last two decades, it is worth mentioning two key developments – globalization and democratization. Globalization has increased the interconnectivity of the global economy and thus the need for global rule-setting. Interdependence and the need for a common vision have increased. By the democratisation of the global scene, we mean both the falling of the iron curtain with the subsequent establishment of democratic and market-based societies in Central and East Europe, and the process of liberalization of the Chinese and other Asian economies and societies. These two processes have also changed the rules of the game for global economic governance.

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[4] Khanna, P. How Multi-stakeholder is Global Policy? // Global Policy. – 2012. – Num. 3(3). – P. 384–390. doi: 10.1111/j.1758-5899.2011.00140.

[5] Mayer-Foulkes, D. A. Long-Term Fundamentals of the 2008 Economic Crisis // Global Economy Journal. – 2009. – Num. 9(4). – Article 6. URL: http://relooney.fatcow.com/SI_FAO-Asia/Crisis_2.pdf.

Long-term global economic governance is shaped both by markets and democracies. Thus, the balancing act is between the ongoing pressure from investors expressed by the evolution of share indices and other financial indicators, on the one hand, and the slow and complex decision-making of parliaments and governments in the multilateral framework, on the other. There is an obvious gap between the speed of pressure and the collective action in economic governance, especially in times of crisis. This could be witnessed in the G20 process as well as during the financial crisis in the EU at the regional level.

A short-term trigger for global economic governance was the economic crisis.[6] The Asian financial crisis of 1997–1998, the 2008 mortgage and banking crises and the ongoing sovereign debt crisis in some EU countries triggered[7] global economic governance changes – both procedurally, by creating new regional or global institutions or fora, and by adopting new rules in substance.

Global economic governance thus gained momentum due to long-term (globalization, democratization) and short-term (financial crisis) factors and increased the role of the public sector involvement ('the state is back') – the process is a multi-stakeholder one.[8]

The process of rule-setting typically happens in four stages: signalling, initiating, shaping and deciding. The stakeholders vary at each stage, with the general pattern of narrowing them down (Table 1).

At the signalling stage, the wide range of stakeholders are signalling failures or putting the existing cross-border rules (or their absence) under scrutiny. This comprises the evolution of stocks and shares of companies in various sectors, bonds of sovereigns as well as the sentiment and opinion presented by the media and civil society, including the non-profit sector. Typically, the number of identified issues is very wide and it is for the stakeholders at the further stages to decide which they will prioritize as a subject for governance.

At the initiating stage, the problem is identified and the cross-border spillovers should be demonstrated in order to advocate the case of collective action. The stakeholders in this stage are broad, ranging from the private sector and their lobbyists, the media, NGOs, the academic sphere and public sector.

At the shaping stage, the range of stakeholders narrows down. The rules are drafted by the relevant international bodies according to their rules. Input is provided by private, technical or public actors or their combination. Case studies for each of these cases are provided below.

At the deciding stage, the stakeholders involved are limited further to the competent authority which makes the decision. They are exclusively public authorities once the normative rules are established.

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[6] Mayer-Foulkes, D. A. Long-Term Fundamentals…; Frieden, J. Global Economic Governance after the Crisis. Paper based on a lecture delivered to the German Economics Association (Verein für Socialpolitik), Frankfurt, September 5, 2011. – Harvard University, Department of Government, April 2012.

[7] Lianou, M. Lessons from the Greek Tragedy: Europe Needs Economic Governance // International Advances in Economic Research. – 2012. – Num. 18(2). – Pp. 241–242.

[8] Khanna, P. How Multi-stakeholder is Global Policy?…; Petersmann, E. U. International Economic Law, 'Public Reason', and Multilevel Governance Of Interdependent Public Goods // Journal of International Economic Law. – 2011. – Num. 14(1). – Pp. 23–76.

Table 1

Stakeholders of global economic governance

Stage	Instrument	Principles	Stakeholders
Signalling	Financial market signals, press reports, citizens' initiatives	Market economy, democracy, transparency, accountability	*Broad range*. Private, semi-private, public sectors. Stock exchange, media, rating agencies, reports
Initiating	Opinions, analysis, proposals	Legitimacy of private, semi-private and public sectors	*Wide range*. Private, semi-private, public sectors
Shaping	Proposing rules	Expert competence, technical mandate	*Medium range*. Public authorities, international agencies. Feed-back from shaping-stakeholders possible
Deciding	Adopting rules	Democracy, transparency, public accountability	*Narrow range*. Public authorities (possibly delegated to private or technical level)

The involvement of categories of stakeholders is becoming complex due to three factors.

First, the complexity of the issues to be subjected to global economic governance and the effect of the rules on the various actors are high. This is becoming clear in the banking and financial sector, economic coordination, monetary dialogues, trade rules, accountancy, tax evasion and other areas. One example of the multi-stakeholder theory[9] at the initiation stage is the Davos Forum process (World Economic Forum). Its character is of an informal exchange of view involving governments, global private institutions, local industry, international and regional organizations, NGOs and academia. Its impact on real governance is limited but it certainly plays a catalyst role.

Second, the geographical scope of multilateral economic governance is widening. With globalization and the emergence of new global economic players, such as BRIC countries, not only the number of national actors is growing but new regional organizations are also involved.

Third, the emergence of new actors is also coming from the fact that the role of states is changing. In the globalized world there are tasks which the states delegate to the higher level (macro-regional or multilateral cooperation) or below to the sub-national level or even private actors. The examples of multilateral cooperation are sectoral agreements (such as the WTO for trade) or geographical agreements (such as the European Union, African Union, ASEAN and others). An example of a sub-national delegation is the case of accountancy standards, where the private sector is a key actor and the public sector follows their decisions.

3. Stakeholder-Driven Global Governance: Three Cases

As shown above, at the first two stages – signalling and initiating – the variety of stakeholders is large. This implies that their relative power in the shaping of the final rules is smaller. This does not mean less power in governance. They key role is to make the decision-makers move, so this is the key role of policy-triggering.

[9] Pigman, G. A. A Multi-Stakeholder Approach to Global Governance. – London: Taylor & Francis, 2006.

Once it comes to the two later phases – shaping and deciding – the power of the stakeholders in the concrete form of rule-setting increases. In the text below we look at three cases of global economic governance according to the nature of stakeholders: private, technical and state. Subsequently, we can establish three models of stakeholder governance: private sector-driven, technical sector-driven and state-driven.

To analyze these models, we will look at three recent cases.

3.1. Private-stakeholder governance: the case of international accounting rules

The fist case refers to accounting rules. The rationale for their harmonization at the global level comes from the fact that the possible differences in accounting systems across jurisdictions creates biased information for market participants, such as in the capital markets and in the area of tax harmonization. The possible negative impact is amplified in times of banking crises which was clearly the case in 2008. The objective of setting globally recognized accountancy standards is to create cross-border, transparent and comparable standards to be followed by the economic agents and thus create a level playing field.

The process is run by the International Accounting Standards Board (IASB) which developed the set of accounting rules called the International Financial Reporting Standards (IFRS). They are used by many countries, such as the members of the European Union, India, Russia, Australia, South Africa and Hong Kong. As of August 2008, more than 113 countries around the world require or permit IFRS reporting and 85 require IFRS reporting for all domestic listed companies.

The IASB is an international private organization. Globally, there are only two major accounting standard setters: the IASB and the Financial Accounting Standards Board in the USA. Convergence or the lack of it, between their standards is a key signal for more local standard setters which follow track and for countries planning to adopt IFRS for their laws on mandatory financial reporting.

The International Accounting Standards Committee[10] was reorganized in 2001 and became an independent international standard setter, the International Accounting Standards Board (IASB). The IASB structure comprises the IFRS Foundation, which is an independent organisation with two main bodies – the Trustees and the IASB – as well as the IFRS Advisory Council and the IFRS Interpretations Committee. The IASC Foundation Trustees appoint the IASB members, exercise oversight and raise the funds needed, but the IASB has responsibility for setting the IFRS. The Standard Advisory Council has approximately 45 members. From 2012, the IASB currently has 16 board members, of which one is appointed as Chair and up to two as Vice-Chairs. To ensure broad international diversity, from July 2012 there are meant to be: four members from the Asia/Australasia region; four from Europe; four from North America; one each from Africa and South America; and two appointed from any area, subject to maintaining overall geographical balance. A unanimous vote is not necessary to publish a Standard, exposure draft, or final 'IFRIC' Interpretation. The Board's 2008 Due Process manual stated that approval by nine of the members is required.

Who are the stakeholders?

The stakeholders of the IASB process are from both the private and public sectors. The private side involves businesses, such as investors and business leaders. The other private stakeholders are analysts, the accountancy profession, suppliers, customers and employees. The public stakeholders comprise governments, their agencies and the accounting regulators.

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[10] The International Accounting Standards Committee (IASC) was established in 1973 with the goal of developing accounting standards and promoting them internationally.

In spite of the fact that the initiating and drafting stages of the governance of accountancy rules is driven by the private sector, the political sphere is also involved. Since the Pittsburgh Summit in 2009, the G20 leaders have called for convergence between the IASB and FASB. The G20 leaders also encouraged the IASB to 'further improve involvement of stakeholders', as there has been a tension between the IASB's technical legitimacy as standard setter and the political perception, especially in the EU, that users of such standards were insufficiently heard and represented in the IASB's governance.

There was a two-way interference between the EU and global governance in this field. At the first stage, the EU was involved in shaping the drafting of the global technical rules. This happened both bilaterally, while having discussions with the IASB representatives and the EU Finance Ministers, as well as via the EU positions within the G20. On the other hand, once the IASB norms were settled, these global norms became binding inside the EU.

Top-down impact of global governance in the EU

This type of governance has a direct impact on the EU governance. It is organized in such a way that an EU law requires listed companies in the EU to adhere to the IFRS for financial statements commencing as of 2005 when preparing their consolidated accounts. Whilst IFRS as such are not legally enforceable, they should be incorporated into the EU regulatory framework.

In the EU, the adoption of a new accounting standard follows a comitology process. This has two stages: drafting and deciding. The drafting stage involves the European Financial Reporting Advisory Group (EFRAG), a private sector body established in 2001 by prominent European organizations within the European capital markets to assist the European Commission with the endorsement of IFRSs, through its provision of advice related to the quality of such standards. Then the Commission prepares a draft Regulation on the basis of the EFRAG's advice. The Accounting Regulatory Committee subsequently votes on that draft Regulation.

At the deciding stage, the EU co-legislators (the European Parliament and the Council) within the framework of a regulatory procedure with scrutiny can object to adopting the Commission regulation. In the opposite case, the draft regulation becomes a normative legislation.

How long does it take?

The time span between the identification of a regulatory issue at the initiation stage to the adoption of the binding rules varies considerably.

In difficult cases, governance fails. This is the case of the IFRS on insurance where the work has been ongoing for 15 years and has not yet finished. Similarly, in the case of the IFRS 9 for financial instruments, the endorsement process in the EU was stopped right after the EFRAG draft endorsement advice of November 2009 and has been stalled ever since.

In more successful cases, such as the IFRS 10 for consolidated financial statements, the timetable was three years between the publication of the draft by the IASB and the effective implementation date. This is a politically sensitive case where political pressure generated by the financial crisis helped deliver the final standard fairly swiftly.

The implementation of global standards into EU law takes approximately 8 months if the endorsement process runs smoothly. Concretely, the EU legislative process for the adoption of individual accounting standards is based on comitology and runs through the following steps:

- The IASB issues a standard;
- The EFRAG holds consultations and endorses advice and impact assessment (approximately 2 months);
- The Commission endorses the draft Regulation (1 month);
- The Accounting Regulatory Committee votes (2 months);

- The European Parliament and Council have a scrutiny period (up to 3 months);
- The Commission adopts and publishes the Regulation.

3.2. Technical-stakeholder governance: the case of regulating bank capital

Regulating bank capital adequacy is a typical case which calls for global governance. The globalization of the economy and related financial integration create interdependency across jurisdictions.[11] The risk of negative cross-border spillovers in the case of a default of a systemically relevant financial institution is important, as was seen during the 2008 financial crisis. Therefore, there is a case for the good of the public to enhance financial stability of the individual credit institution where banks would be required to hold more capital and liquid assets. Due to the international character of the global financial sector, global regulatory setting is required. At the same time, the rule-setting has important financial accounting – up to 20–25 per cent of the total impact on the output of the banks. An OECD study[12] estimates that the medium-term impact of the Basel III implementation on GDP growth is in the range of −0.05 per cent to −0.15 per cent per year.

Who are the stakeholders?

This governance process happens within the so-called 'Basel Process'. The key stakeholders in this case are the regulators, who can be seen as experts and technicians supervising the banking sector. They are accompanied by private, public and mixed actors (Table 2). The scope of the stakeholders in this case coincides with that of the most prominent formal structure through which the global agenda of financial regulation is set: the Bank for International Settlements (BIS, seated in Basel) and especially its committee – the Basel Committee on Banking Supervision (BCBS).

Table 2

Stakeholders of the Basel Process

	Public	Private	Mixed
Supranational	G10[13], G20[14], G77[15], European Union, BIS[16], BCBS[17], Basel Senior Supervisors Group, Financial Stability Board, IMF[18], World Bank, IOSCO[19], IASB[20], FASB[21]	'Core banks', financial markets, hedge funds, 'financial engineers', financial risk analysts, credit rating agencies, mass media	Banks and investment firms, risk management and credit rating agencies, professional economists, G30[22] and IIF[23]

[11] 'Preventing Spillovers on the Global Economy'. Speech by Jean-Claude Trichet, President of the ECB at the Bretton Woods Committee, International Council Meeting 2011, Washington, September 23, 2011. URL: http://www.ecb.int/press/key/date/2011/html/sp110923.en.html.

[12] 'Macroeconomic Impact of Basel III'. February 2011. URL: http://www.oecd-ilibrary.org/economics/macroeconomic-impact-of-basel-iii_5kghwnhkkjs8-en.

[13] Group of Ten (economic) is a group originally of ten, now eleven, industrial nations.

[14] The Group of Twenty major economies comprises 19 countries plus the European Union that account for more than 80 per cent of the world product/trade and two-thirds of the world population.

[15] The Group of 77 at the United Nations is a loose coalition of developing nations, designed to promote its members' collective economic interests and create an enhanced joint negotiating capacity in the United Nations.

[16] The Bank for International Settlements (BIS, seated in Basel).

[17] The Basel Committee on Banking Supervision (BCBS) – the BIS committee.

[18] The International Monetary Fund.

[19] The International Organization of Securities Commissions (IOSCO) is an association of organizations that regulate the world's securities and futures markets.

[20] The International Accounting Standards Board.

[21] The Financial Accounting Standards Board.

[22] The Group of Thirty is an international body of leading financiers and academics which aims at deepening understanding of economic and financial issues and to examine consequences of decisions made in the public and private sectors related to these issues.

[23] The Institute of International Finance.

Table 2 continued

	Public	Private	Mixed
National	Executive branch, finance ministries, central banks, financial regulators, legislatures and subcommittees	Large national banks and corporations, pension funds, insurance industry, industry associations and lobbyists	Federal Reserve Bank of New York, 'Government-Sponsored Enterprises'
Sub-national	State banking supervisors	Community banks, private citizens	

This mostly technically driven process has been politically endorsed by the G20 leaders. At their 2010 summit in Seoul, the G20 leaders endorsed the Basel III regulatory framework. In November 2011, the leaders, at their summit in Cannes, emphasized the importance of implementing Basel III.

Top-down impact of global governance in the EU

In the EU, the financial crisis prompted a regional EU and international effort to develop effective policies to tackle the underlying problems. The need for new capital had been caused by capital leveraging, capital quality, credit growth, liquidity buffers, risk governance and oversight of the banking sector.[24]

In the EU context, the extent of the financial crisis has exposed unacceptable risks pertaining to the regulation of financial institutions. According to the IMF estimates, crisis-related losses incurred by European credit institutions between 2007 and 2010 were close to €1 trillion or 8 per cent of the EU GDP.

In order to restore stability in the banking sector and ensure that credit continues to flow to the real economy, both the EU and its Member States adopted a broad range of unprecedented measures with the taxpayer ultimately footing the related bill. In this context, in October 2010 the European Commission approved €4.6 trillion of state aid measures to financial institutions, of which more than €2 trillion were effectively used in 2008 and 2009.

On the rule-setting in the EU, the result of the Basel process is a starting point for a legally-binding legislative process which ensures the implementation of the Basel agreement.

The process is top-down. First, the EU legislation stipulating the legally binding rules is adopted and then, in the second stage, the rules are transposed into national law. In this case, the EU regulation takes two forms: firstly that of a directive which is not directly applicable and needs to be implemented via national legislation through national parliaments; and secondly, that of a regulation which is directly applicable in national jurisdictions. In both cases, at the EU level, the legislators are the Council and the European Parliament. Eventually, the Member States need to do further legislative actions at the national level in order to make the EU laws fully effective.

On the implementation in the EU, the European Supervisory Agencies (EBA, ESMA, EIOPA) and the ESRB would be charged with implementing the supervisory tasks of the new capital requirements framework. At the national level, the implementation (supervision of institutions covered by the CRD IV legislative package) would be taken care of by the national competent institutions.

[24] Coen, B. The Basel Committee on Banking Supervision: Its Global Role and Current Initiatives. URL: http://www.un.org/esa/ffd/events/2010GAWGFC/5/Coen.pdf.

There is a prominent example of technically driven governance in the European Union, namely the De Larosière report. In October 2008, the European Commission asked Mr De Larosière to put together, with a group of prominent experts, advice for the European Commission on the future regulatory approach on financial regulation and supervision in the European Union. This input was eventually closely followed in the subsequent Commission legislative proposals, as well as in the laws adopted by the EU legislators.

How long does it take?

The technically driven governance of the Basel process takes some 7 years from the identification of the problem to the adoption of the legally binding rules (Table 3). Four years were needed for the technical agreement to be made at global level, around two years are needed for adopting the EU legislation and further time will be required for the transcription of the EU law into the national legal system and its factual implementation.

Table 3

Timetable of the implementation of the Basel process

Year	Governance action	Comment
2007	Identification of the problem	Beginning of the sub-prime mortgage crisis
2009 April	Global governance – political level – G20	Commitment to address the crisis with internationally consistent efforts
2009 September	Global governance – technical level	Agreement of the Group of Central Bank Governors and Heads of Supervision on measures to strengthen the regulation of the banking sector
2010 November	Global governance – political level – G20	Formal endorsement of Basel III accords
2010 December	Global governance – technical level	Publication of Basel III accords
2011 July	Regional (EU) governance – technical level	Publication of European Commission proposal on revised capital requirements rules (CRD IV)
2011 November	Global governance – political level – G20	Commitment to start implementing Basel III as of 2013
(possibly) 2012 December	Regional (EU) governance – decision level	Adoption of EU legislation on CRD IV
2013 onwards	National (EU) governance – implementation	Enforceability of national law

3.3. Public sector-driven governance: the case of coordinating economic policies

The global financial crisis which started in 2008 revealed the need to develop the process of some level of coordination of economic policies among the major global economies. The objective is to set common objectives and put forward policies for reaching these objectives and a common assessment of progress. The overall rationale of this case of global economic governance is to limit as much as possible the accumulation of imbalances.

The G20 pledged at the 2009 Pittsburgh Summit to work together to ensure a lasting recovery and strong and sustainable growth over the medium term. To meet this goal, they launched the Framework for Strong, Sustainable, and Balanced Growth (FfG). But each country's ability to achieve its goals depends partially on the actions of others. The FfG is a shared recognition among the G20 that they will need to work together. It is recognized that national measures benefit from a common international approach. Identifying best practices and taking into account spill-over effects of structural policies in one country or group (of countries) can improve the impact of those policies on growth and job creation. The backbone of the FfG is the Mutual Assessment Process (MAP). The MAP is the tool directed at monitoring and coordinating domestic economic policies. In this context, countries are meant, among other things, to avoid and gradually correct global imbalances, consolidate sustainable and balanced growth, accelerate job creation and promote structural reforms.

Policy coordination of this kind at the global level is a new concept. Bearing in mind that economic policies are at the core of the states' sovereignty, it can only progress in small steps and with soft means.

In practice, the FfG process can only be successful if supported by balanced policy analysis. This is why the G20 asked the IMF to assist with the analysis of whether national policies are collectively consistent with more sustainable and balanced growth. The IMF has been asked to provide technical support to help develop indicative guidelines to evaluate imbalances and to assess progress towards commitments made by the G20 members. Similarly, the World Bank was asked to give advice on the progress in promoting development and poverty reduction as part of the rebalancing of global growth.

Who are the stakeholders?

The stakeholders at the shaping and deciding stages of this type of governance are public actors. They include states and monetary authorities. The reason for the involvement of public authorities is that the subject of governance is macroeconomic, monetary and structural policies. These are under the responsibility of elected actors via the parliamentary process and are executed by governments and central banks.

The nature of this type of governance is soft. It has no legally binding nature. It is rather a political commitment. A final communiqué is issued at the end of the each G20 Ministerial (and Summit), containing the agreed work streams and members' joint commitments. The G20 has furthermore neither a founding treaty nor a permanent secretariat. Most of its working methods at the Leaders' level have been transplanted from the G7/G8.

Top-down impact of global governance in the EU

The interaction between the global and EU regional governance in this area goes both ways. The EU has been actively pushing for global coordination in this field at the G20. On the other hand, since the global agreement was established, the EU and its members have been subjected to it.

The EU might serve as an inspiration for global governance in this area. Since the economic crisis of 2008, it has actually implemented various measures going in the same direction. We highlight two measures. The first measure is of a compelling nature (this would not be possible at the global level). It consists of the excessive imbalance procedure. In this procedure, the Commission evaluates macroeconomic imbalances within the 27 EU Member States and suggests measures to the Council. The Council decides on the measures to be taken by the Member States. In case of non-compliance, sanctions are foreseen for the euro area members. Another example of legally binding rules, this time of an intergovernmental nature, is the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union. This specifies the obligations of the contracting parties – the euro zone members – amongst others in the fiscal area.

The second measure is non-binding. It consists of political commitments towards growth measures including avoiding imbalances. This is done via the Euro-Plus Pact, which is a political agreement between 25 EU members.

On the recipient side of global governance, the EU and its members are subject to the G20 procedure. The G20 sets high-level objectives and guidelines to which member countries and international financial institutions adhere. Direct support to the G20 is provided by the IMF for macro-surveillance and by the FSB for micro-prudential, regulatory and supervisory issues.

The implementation of the FfG in other G20 members is a shared responsibility to adopt policies that promote a resilient international financial system. To this end, strategies will vary across countries. In the euro area, a comprehensive crisis response strategy is being implemented based on consolidation and reform directed at restoring sound public finances and the adjustment of competitiveness.

How long does it take?

It took five years to define the political commitments governing these types of policies globally (Table 4). It took two years to establish the principles of global governance in this area. At the moment, leaders are yet to agree on a common approach for measuring progress. However, no hard implementation occurred and the real impact of this governance model is rather weak. The monitoring of the implementation of the commitments is work in progress. It involves the technical support of the IMF.

Table 4

Timetable of the implementation of the Framework for Strong, Sustainable, and Balanced Growth

Year	Governance action	Comment
2007	Identification of the problem	Due to the crisis, recognition of need for coordinated policy action
2009	G20 Pittsburgh Summit	Launching of the Framework for Strong, Sustainable, and Balanced Growth (FfG) and the Mutual Assessment Process (MAP)
2010	G20 Seoul Summit	Commitment to address the key imbalances that jeopardize growth. Commitments for an enhanced MAP and the identification of policy actions
2011	G20 Cannes Summit	Agreement on: (i) the key indicators (public debt, fiscal deficits, private saving rate, private debt and the external balance); (ii) indicative benchmarks to identify the presence of large imbalances; (iii) the Cannes Action Plan for Growth and Jobs

Table 4 continued

Year	Governance action	Comment
2012	G20 Los Cabos Summit	Growth and Jobs Action Plan agreed, with leaders committing to: (i) adopt measures to strengthen demand, support global growth and restore confidence, address short- and medium-term risks, enhance job creation and reduce unemployment; (ii) strengthen peer review process

To summarize these three cases of stakeholder-driven global governance, a few comments can be made. Most importantly, in the earlier stages of global economic governance, there are many stakeholders. However, the final decisions remain for the sovereigns, meaning national states. Due to the complexity of economic governance, innovative ways of involving global stakeholders have emerged.

The sovereigns delegated the power to shape the global standards to other stakeholders. In the case of global accountancy rules, the sovereigns allowed the private sector to define the global standards and commit the sovereigns to make them legally binding. In the case of capital requirements for banks, the sovereigns gave the responsibility to technical stakeholders, including national supervisors and central bankers to draft global rules which the sovereigns transposed into normative rules. In areas such as macroeconomic coordination, the sovereigns are not globally ready to delegate their power to other stakeholders and the sovereigns so far committed only in a limited way to the global coordination of their own policies.

In all three cases the European Union is part of global governance both as an agent shaping global governance as well as a transmission mechanism for making global rules applicable in their member states.

4. Stakeholders of the G20 Process

The G20 plays a prominent role in global economic governance. The stakeholders are states, regional organizations and international institutions.[25]

In terms of its outreach, this can already be seen in the efforts by Emerging Market Economies (EMEs) such as the BRICs, which are using the G20 in order to leverage their power in international organizations such as the IMF. The G20 called on the IMF Quota and Governance reform. Once completed, this reform will shift more than 6 per cent of quota shares from over-represented to under-represented member countries and more than 6 per cent of quota shares to dynamic emerging market and developing countries. With these realigned quota shares, China will become the 3rd largest member country in the IMF, and the BRICs will be among the 10 largest shareholders in the Fund.

The role and position of the European actors in the G20 are important. In terms of membership, in the G20 there are four EU members (Germany, France, United Kingdom and Italy) and the EU itself. The reasons for this 'double representation' are historical (the four countries used to be G7/8 members) and legal. The Presidency (President of the European Council at the summit level and the Council Presidency at the ministerial level) together with the European Commission and the European Central Bank, represent the EU competences, while the four European countries represent their own in-

[25] Wouters, J., Van Kerckhoven, S. The OECD and the G20: An Ever Closer Relationship? Working Paper 71. – Leuven: Leuven Centre for Global Governance Studies, 2011. URL: http://ghum.kuleuven.be/ggs/publications/working_papers/new_series/wp71-80/wp71.pdf.

terests on matters which are not part of the EU competence. The possibility for unified external representation of the euro area in international fora for issues concerning the economic and monetary union is foreseen in the TFEU, Article 138, but has not yet been fully implemented.

The G20 outreach and transparency are issues influencing the G20 legitimacy and impact on global governance. Interacting better with non-G20 members and including non-state actors would increase the legitimacy of the G20. In this regard, the G20 has been inviting non-member countries to its summits since the first summit. Most of the invitees represent international organizations which they chair (see Table 5).

Table 5

Non-G20 member countries invited to G20 summits

	Washington	London	Pitts-burgh	Toronto	Seoul	Cannes	Los Cabos
Benin							AU[26]
Cambodia							ASEAN[27]
Chile							CELAC[28]
Colombia							*
Equatorial Guinea						AU	
Ethiopia		NEPAD[29]	NEPAD	NEPAD	NEPAD	NEPAD	
Malawi				AU	AU		
Singapore					3G[30]	3G	
Thailand		ASEAN	ASEAN				
UAE						GCC[31]	
Vietnam				ASEAN	ASEAN		
Spain	*	*	*	EU	*	*	*
Nether-lands	*	*	*	*			

At the Seoul Summit (2010), the G20 leaders explicitly recognized for the first time 'the necessity to consult with the wider international community' and pledged to 'increase (…) efforts to conduct G20 consultation activities in a more systematic way, building on constructive partnerships with international organizations, in particular the UN, regional bodies, civil society, trade unions and academia'.

Under the G20 Mexican Presidency in 2012, non-state actors had a greater degree of inclusion than at any previous summit. This happened both in the preparatory process (where the G20 Presidency met with representatives of the business, labour, academic and civil society spheres) and during the summit itself. The involvement of private and civil sector stakeholders resulted in the B20 (Business 20), L20 (Labour 20), CS20 (civ-

[26] Representing the African Union.
[27] Representing the Association of Southeast Asian Nations.
[28] Representing the Community of Latin American and Caribbean States.
[29] Representing the New Partnership for Africa's Development.
[30] Representing the Global Governance Group.
[31] Representing the Gulf Cooperation Council.

il society) and the Think Tank–20 (dialogue among think tanks). Other dialogues included the G20 Young Entrepreneurs Summit, the Youth 20 and the Rethinking 20, and also the G(irls) 20. This amounts to a comprehensive representation of global stakeholders in the discussion stage of the global governance process. In terms of input for the decision-making level, these non-state actors delivered position papers, recommendations and thematic reports to the G20 presidency, via Sherpas and/or working groups. These non-state actors figure explicitly in the Los Cabos declaration.

Regarding international organizations as stakeholders, it is interesting to note how the G24 – which coordinates the position of developing countries on monetary and development issues – was, at the G20 Deputies meeting in September 2012, one of the most critical of the EU on the topic of the IMF's reforms. The G24 includes Argentina, Brazil and South Africa, also members of the G20, and has China and Saudi Arabia as observers.

5. Stakeholder Involvement in Global Governance: The Case of the EU

The European Union can be seen as a laboratory of regional economic governance. It is the only regional governance which applies a normative approach. It involves, on the one hand, the creation of legally binding rules.[32] In this case, the four stages of governance as described in Section 2 apply as well. The signalling and initiating phases involve multiple stakeholders including the private sector, media, regions, civil society, academia and others. The shaping of the rules phase is solely conferred to the EU institution called the European Commission. The process here typically comprises a consultation by the Commission with the stakeholders (private sector, consumer associations, NGOs, international partners, and universities).

Based on this, the Commission publishes a 'green paper' (a discussion document) for public consultation of all interested parties. If the Commission decides to continue with the process, it usually publishes a 'white paper' (an official set of proposals). In the next stage, the Commission proposes a legal text to be adopted by the legislators, according to the given procedure defined in the Treaties. In the case of an ordinary legislative procedure, the legislators are the European Parliament and the Council. The Commission proposal represents the interests of the EU as a whole. At the level of legislators, the Council scrutinizes the draft according to the individual interests of the EU Member States, while the European Parliament typically represents the EU's interests. This law-making mechanism ensures the balanced power between the national stakeholders and the EU as a stakeholder.

Other governance methods used in the EU are soft, non-binding ones: the open-method of cooperation, coordination or peer pressure.[33] The EU governance is subject to reflections and improvements.[34]

In the EU governance process, the public stakeholders (*i.e.* the states) are therefore a key player. They are both legislators and designers of the strategy to be adopted by the EU. The last task is ensured by the European Council. A typical feature of the states as stakeholders is their evolution due to the election process in the democratic systems. The EU is therefore always keeping an eye on the preferences of the national governments and parliaments. This is a complex process. With 27 Member States and various regional, national and supra-national elections, there are elections coming up very often. On average, an EU citizen votes more than once a year.

[32] Louis, J. V, The 'Enforcement' of Economic Governance // Studia Diplomatica. – 2011. – Vol. LXIV, Num. 4. The European Union and Economic Governance.

[33] Cloos, J. 'Incentive' Governance…

[34] European Commission. European Governance. A White Paper. COM (2001) 428 final. – Brussels: Commission of the European Communities, July 25, 2001.

Since the entry into force of the Lisbon Treaty (2009), the European Council has become an institution of the European Union with its fixed President. This increased the involvement of the heads level in the strategic orientation of the EU. During the economic crisis, this proved to be a useful development. The financial crisis of 2008 and subsequent sovereign debt crisis in some of the EU Member States, including the euro area's exposure to stress, put leaders in the driving seat. The number of their meetings increased as did their focus on economic governance (see Table 6).

Table 6

Focus of European Council conclusions on economic policy[35]

	Total number of pages	Number of pages on economic policy
2008		
March	22	12
June	25	3
September	5	0
October	12	5
December	23	5
2009		
March	23	12
June	32	6
October	25	3
December	20	6
2010		
March	12	8
June	15	7
September	13	1
October	6	3
December	13	11
2011		
February	16	4
March	35	27
June	17	6
October	13	8
December	8	2
Total	335	129

Source: http://www.european-council.europa.eu/council-meetings/conclusions?lang=en

On top of this, new stakeholders emerged in EU governance. In addition to the Member States and the EU, the euro area, to which eventually other members adhered, became a more active actor due to the crisis inside the euro area. The euro area members and some others decided to move forward further in some cases on an intergovernmental basis outside of the EU (EFSF – European Financial Stability Facility, ESM – European Stability Mechanism, TSCG – Treaty on Stability, Coordination and

[35] Note the number of pages of written conclusions do not correspond necessarily with the focus of the meeting.

Governance in the Economic and Monetary Union).[36] This was not in conflict with the EU, but rather a supportive measure. The number of meetings on economic issues during the crisis increased as did the variety of meetings (formal/informal EU meetings, informal euro area meetings, intergovernmental meetings).

If we look at the interplay between the global and EU economic governance, we see a case of inter-dependence and mutual influence.[37] The EU and its Member States have been proactive stakeholders of global economic governance and have thus shaped the global economic rules. On the other hand, the EU has been a recipient of the global economic governance and implemented what has been decided at the global level.

It is worth comparing the approach taken at the global and EU levels in different segments of economic governance (Table 7). The table shows that there has possibly been mutual inspiration. In some cases, the practices of the EU could have been of interest for the broader scale in the case of macroeconomic policy, structural policy and possibly tax coordination. The global example was possibly an inspiration for the EU/euro area in fields such as financial assistance and financial stability.

Table 7

Global and EU economic governance

	Global governance		EU governance		
Issues	**Forum**	**Instrument**	**Forum**	**Instrument**	**Comment**
Macroeconomic policy	G20, G7/8	FfG, dialogue	EU-27 EU-17 Eurogroup, Euro Summit EU-25 EU-23	EU Treaty, SGP,[38] 'Six-Pack, 'Two-Pack' Policy guidance Treaty (TSCG)[39] Euro Plus Pact	EU coordination more advanced (normative governance) Source of inspiration for global governance
Monetary policy	G7, G20	Dialogue	EU, ECB	Single currency	Euro area governance fully harmonized

[36] Begg, I. The EU's Response to the Global Financial Crisis and Sovereign Debt Crisis: Economic Governance under Stress? Workshop on Leadership, Decision-making and Governance in the EU and East Asia: Crisis and Post-crisis. EU Centre in Singapore, November 21–22, 2011. Singapore; Blizkovsky, P. Economic Governance and Solidarity: A Complex Relationship // Studia Diplomatica. – Vol. LXIV, Num. 4. The European Union and Economic Governance; Blizkovsky, P. The New Economic Governance of the European Union: What is it and Who does What? // Policy Brief Series. – 2011. – Num. 4. – URL: http://www.spp.nus.edu.sg/docs/policy-briefs/the-briefing-room/2011/tbrPB11-04.pdf; Gloggnitzer, S., Lindner, I. Economic Governance Reform and Financial Stabilisation in the EU and in the Eurosystem – Treaty-Based and Intergovernmental Decisions // Monetary Policy and the Economy. – 2011. – Num. 4. – Pp. 36–58.

[37] Renard, T., Bishop, S. The European Union and Emerging Powers in the 21st Century: How Europe Can Shape a New Global Order. – Farnham: Asghate Publishing, 2012.

[38] The Stability and Growth Pact.

[39] The Treaty on Stability, Coordination and Governance in the Economic and Monetary Union.

Table 7 continued

	Global governance		**EU governance**		
Issues	**Forum**	**Instrument**	**Forum**	**Instrument**	**Comment**
Structural policy	G8, G20	FfG, dialogue	EU-27	EU Treaty, SGP, 'Six-Pack', 'Two-Pack'	EU coordination more advanced (normative, coordination, peer pressure)
			EU-17, Eurogroup, Euro Summit	Policy guidance	Source of inspiration for global governance
			EU-25	Treaty (TSCG)	
			EU-23	Euro Plus Pact	
Financial assistance	IMF	Loans	EU-27	Loans for non-euro members	Global governance source of inspiration for euro area
			EU-17	EFSF[40], ESM[41], loans for euro members	
Financial stability	G20, G8, FSF	Risk identification	EU	EFSF – risk identification	Global governance source of inspiration for EU
Financial regulation	G20	Political commitment	EU	Legal obligations	Binding EU governance in line with global political commitments
Capital requirements of banks	G20	Political commitment	EU	Legal obligations follow Basel process	EU governance follows global governance
	Basel process	Rule-setting			
Accountancy	G20	Political commitment	EU	Legal obligations follow IASB process	EU governance follows global governance

[40] The European Financial Stability Facility.
[41] The European Stability Mechanism.

Table 7 continued

	Global governance		EU governance		
Issues	**Forum**	**Instrument**	**Forum**	**Instrument**	**Comment**
	IASB	Rule-setting			
Tax coordination	N/A	N/A	EU EU-25	Voluntary coordination Euro Plus Pact	Soft EU coordination. Source of inspiration for global governance

6. Conclusions

The present article has analyzed the global economic governance from the stakeholders' perspective. We can conclude that:

- Globalization is creating an asymmetric situation in which economic realities are evolving globally but the governance of global processes is lagging behind.
- The subject of global economic governance should be treated extremely carefully. It should not be confused with global economic *government*. However big the inter-dependence of the global economy, the accountability for rule-setting is driven by sovereigns.
- Global governance typically proceeds in four stages: signaling, initiating, shaping and deciding. Concerning the number of stakeholders involved, a pyramid structure can be observed: at the beginning (bottom) of the process, there are many stakeholders, whereas at the top there remarkably fewer.
- The early stages of global governance, a multi-stakeholder process, involve the private sector, civil society, media, academia and public sector. The number of stakeholders is increasing over time due to the process of globalization, market economy and the increasing inter-dependence of global economies. The recent economic crisis in various parts of the world served as a trigger for more global governance and a new procedural and institutional set-up.
- The decision-makers, meaning the sovereign states, stay at the top of the pyramid of the decision-making stage of global governance. They are the ones who make or delegate the decision.
- The EU is both an actor and recipient of global governance. The division of labour between the competences of the EU and those of its Member States makes the EU participation in global governance complex.
- In the EU, the sovereign debt crisis in some EU Member States triggered new stakeholders (the euro area) as well as new processes and rules.
- The EU can be seen as a laboratory of economic governance and its complexity. As such, it is worth looking at the elements which work well and which can serve as inspiration for global governance. This includes the well-established rules and practices for the involvement of the stakeholders in the rule-setting process as well as the split between the drafting and deciding stages of the process. Global governance, on the other hand, is an inspiration for the EU regional governance.